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ABSTRACT

This data providers' guide, the first volume of the revised "Higher Education Finance Manual," comprehensively describes national financial reporting standards, including those prescribed for the Higher Education General Information Survey (HEGIS) reports, and includes the information needed to comply with those standards. General principles of fund accounting for postsecondary education are described, as are each of the main three financial statements (the balance sheet, the statement of changes in fund balances, and the statement of current funds revenues, expenditures, and other changes). The standard revenue reporting categories and the standard expenditure-reporting categories and subcategories are also covered. Also included are a glossary of financial data terms and a look-up table consisting of an alphabetical list of common activities, organizational units, position titles, and types of expenditures, each associated with one or more expenditure categories and one or more subcategories. (SW)

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Volume 1:
Higher Education Finance Manual:

Data Providers' Guide

 National Center for Higher Education
Management Systems

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Higher Education Finance Manual: Data Providers' Guide

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1980

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Foreword

The *Higher Education Finance Manual: Data Providers' Guide* is a complete description of the current state of the art for higher-education financial reporting. While being completely consistent with such other definitive works on higher-education financial reporting as NACUBO's *College and University Business Administration* (1974) and the AICPA's *Audits of Colleges and Universities* (1973), it includes a great deal of new material, particularly the detailed activity look-up table developed cooperatively by NCHEMS and NACUBO to provide additional guidance in financial reporting. In my roles as both Chairman of NACUBO's Accounting Principles Committee, during the writing of *College and University Business Administration*, and member of the AICPA/NACUBO/NCHEMS Joint Accounting Group, I was intimately involved in the formulation of these standards for financial reporting. I feel that the *Data Providers' Guide* is faithful to those financial reporting principles established while providing a great deal more information and guidance to the data provider.

The *Data Providers' Guide*, in my opinion, represents an important contribution to the literature describing the principles of higher-education financial reporting. It will be a useful reference document for anyone with the responsibility of reporting financial information. It is highly recommended to all with an interest in, and concern about, the uniform reporting of higher-education financial data.

W. Harold Read
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Preface

The *Higher Education Finance Manual: Data Providers' Guide* is the first volume in the *Higher Education Finance Manual (HEFM)* series. The three volumes in the series together revise and replace the original single-volume *Higher Education Finance Manual* (NCHEMS Technical Report 69). Since higher-education financial-reporting practices have been and will continue to be subject to revision, the guidelines described in the *HEFM* series will also be subject to revision. However, since accounting practices are relatively stable, those described in the current *HEFM* series are not likely to change in the near future. The series is designed to be a comprehensive guide for providers and users of financial information reported by institutions of postsecondary education. The material in the *HEFM* revision was developed at NCHEMS as part of the original *Higher Education Finance Manual* project (1972-74), supported by the National Center for Education Statistics (NCES). It was supplemented and refined in a follow-on project, the *Higher Education Finance Manual/State-Level Technical Assistance (HEFM/SLTA)*, project also supported by NCES, which in addition provided technical assistance to state agencies seeking to implement the *HEFM* guidelines.

The three volumes in the revision are the *Higher Education Finance Manual: Data Providers' Guide*, the *Higher Education Finance Manual: Data Users' Guide*, and the *Higher Education Finance Manual: The Source/Use Concept*. The *Data Providers' Guide* comprehensively describes national financial reporting standards, including those prescribed for the HEGIS reports, and includes the information needed to comply with those standards. It includes:

1. A complete set of definitions of expenditure categories and revenue categories endorsed by the National Center for Higher Education Management Systems (NCHEMS), the National Association of College and University Business Officers (NACUBO), the American Institute of Certified Public Accountants (AICPA), and NCES
2. An activity look-up table, with specific guidance for assigning activities to expenditure categories and subcategories, endorsed by NCHEMS and NACUBO
3. A glossary of financial accounting terms
4. A description of generally accepted accounting principles for postsecondary education
5. Exemplary formats for financial statements

Oriented to the nonaccountant, the *Data Users' Guide* describes the kinds of information about postsecondary education that can be derived from institutional financial data. Included are:

1. A description of fund accounting in higher education
2. A discussion of the relationship between accounting data and programmatic financial data
3. A guide to the implementation of the *HEFM* guidelines at the state level
4. A guide to the implementation of the *HEFM* guidelines at the institutional level

The *Source/Use Concept* describes the principles included in presenting financial information in a format showing where money comes from (sources) and where it goes (uses). Included are:

1. A general description of the source/use concept
2. Suggestions about ways to develop source/use formats for analysis and communication
3. A description of the standard source/use matrix and its uses as a supplementary financial statement
4. A guide to implementation

Portions of the *Higher Education Finance Manual* series have been reviewed by NCHEMS staff, the task force of the *HEFM/SLTA* project, individuals in its pilot-test states, a network representing the state-level postsecondary-education finance community, and a joint NCHEMS/NACUBO committee on the Guidelines of the Joint Accounting Group. Since much of the material was drawn from the first edition of *HEFM*, the *HEFM* Task Force has reviewed those portions of the document as well.

Acknowledgments

The authors are grateful to all those who assisted in the development of this book. We are particularly indebted to the members of the joint NCHEMS/NACUBO committee on the Guidelines of the Joint Accounting Group: George Baughman (Ohio State University), Norm Fischer (Washington Council for Postsecondary Education), Norm Gross (University of California), and Bill Wilkinson (University of Rochester). Clarence Scheps (Tulane University) and Harold Read (University of Tennessee) added their expertise to our efforts to describe fund accounting in Section II.

For their assistance in structuring the project, we are grateful to the members of the *HEFM/SLTA* Task Force: William Arceneaux, State Higher Education Executive Officers; Carl Blackwell, National Association of State Business Officers; John Folger, Education Commission of the States; John LaFaver, National Conference of State Legislatures; Reuben Lorenz, National Association of College and University Business Officers; and Jane Ryland, SHEEO/NCES. We would also like to thank Paul Mertins and George Wade, who were NCES project officers, for their efforts throughout the project, and Frank Schmidlein, evaluator of the project, for his constructive feedback. Abbott Wainwright of the NACUBO staff also provided many useful comments.

We extend special thanks to NCHEMS Associate Directors Dennis Jones and Mel Orwig for their much-needed advice and support throughout the project. Mary Sue Waldkirch and Ginger Deisher of the NCHEMS staff provided invaluable editorial assistance. Thanks are due also to Linda Smith, Paula Dressler, Barbara Epp, and Rebecca Shanks for their secretarial assistance.

Introduction

Institutions of postsecondary education regularly provide financial information to a variety of publics. They prepare annual financial reports for administrators, the political authorities, state agencies, the institutional community, and the general public. Moreover, public institutions usually report financial information to the state as part of the annual or biennial budgetary process. Finally, all institutions report financial data to the federal government as part of the Higher Education General Information Survey (HEGIS).

In past years, this broad set of demands for financial information led to a multiplicity of formats and created a substantial reporting burden for institutions. For this reason, the National Center for Higher Education Management Systems (NCHEMS), the National Association of College and University Business Officers (NACUBO), and the American Institute of Certified Public Accountants (AICPA) formed the Joint Accounting Group (JAG) in 1973, with funding from and participation by the National Center for Education Statistics (NCES). This group issued a report specifying guidelines for financial reporting that were subsequently incorporated by NACUBO in *College and University Business Administration*, by NCHEMS in the *Higher Education Finance Manual*, by AICPA in its amendment to *Audits of Colleges and Universities*, and in the HEGIS reports. The JAG report recommended a single national standard for financial reporting that could be used by institutional business officers, state-level agencies, auditors, and the federal government.

As the JAG guidelines were implemented, it became apparent that the states were lagging behind institutions, auditors, and the federal government in adopting

the guidelines. Therefore the reporting burden on institutions began increasing again as federal and institutional practice diverged from state practice. For this reason, NCES funded the *Higher Education Finance Manual/State-Level Technical Assistance (HEFM/SLTA)* project at NCHEMS to help the states more quickly implement the JAG guidelines.

During the *HEFM/SLTA* project, it became apparent that to implement the *HEFM* guidelines in a manner consistent with national standards, state agencies as well as institutions needed more specific, comprehensive instructions than were currently available in any one source. Therefore NCES funded a project at NCHEMS to rewrite the *Higher Education Finance Manual. The Data Providers' Guide*, the first volume of the revised *HEFM* series, focuses on the problems of the data provider in reporting financial information according to national standards. The intended audience for this document includes anyone responsible for reporting financial data.

Part 1 of this book describes the current set of financial reporting guidelines in postsecondary education. Chapters in this part address principles of fund accounting, each of the main three financial statements (the Balance Sheet, the Statement of Changes in Fund Balances, and the Statement of Current Funds Revenues, Expenditures, and Other Changes), the standard revenue-reporting categories, and the standard expenditure-reporting categories and subcategories. The discussion of the expenditure categories also includes a detailed activity look-up table to aid in the assignment of activities to expenditure categories. Part 2 is a glossary of financial reporting and accounting terms.

Part 1

Financial Reporting

The accounting profession and the postsecondary-education community have established guidelines for collecting and reporting financial records by institutions of postsecondary education. Like comparable guidelines in other industries, they are known as generally accepted accounting principles (GAAP). Although institutions are not absolutely required to keep their books in this manner, GAAP must be followed if a private auditor is to give an unqualified audit report, if the institutional business officer is to comply with professional-association standards, and if the institution is to report financial data in accord with national standards.

Generally accepted accounting principles for postsecondary education are authoritatively defined in *Audits of Colleges and Universities* (AICPA 1973), as modified by Statement of Position 74-8 (AICPA 1974), commonly known as the Audit Guide. Industry audit guides prepared by the AICPA have the endorsement of the accounting profession and are considered, for financial accounting purposes, the authoritative documents in the field. The conventions in the Audit Guide were endorsed by the higher-education community.

Another important document is *College and University Business Administration* (NACUBO 1974), commonly known as the *CUBA* manual or, in its loose-leaf version, as the *Administrative Service*. This document (among other things) describes GAAP for the college or university business officer and sets forth the professional standards of NACUBO for the business and finance functions.

Since this part of the *HEFM: Data Providers' Guide* focuses on the role of the data provider, only the provisions of GAAP related to financial reporting are

discussed. If data providers follow the reporting guidelines described in this section, they can be assured of compliance with GAAP and of providing accurate reports for HEGIS purposes.

Chapter 1 describes general principles of fund accounting for postsecondary education. Chapters 2, 3, and 4 describe the three basic financial statements used in postsecondary education: the Balance Sheet, the Statement of Changes in Fund Balances, and the Statement of Current Funds Revenues, Expenditures, and Other Changes. Chapters 5 and 6 describe the standard revenue and expenditure categories.

Principles of Fund Accounting

Background

Financial reporting discloses information about the operations and financial status of an enterprise to its various internal and external publics. The essential purpose of this disclosure is to promote accountability of the management of the enterprise. Standards for financial reporting are specified to ensure full disclosure of all pertinent facts and standardization sufficient for meaningful comparisons. This principle of financial reporting is universal, regardless of whether the enterprise is educational, governmental, nonprofit, or commercial. However, since the nature and objectives of enterprises differ depending on their purpose, different principles have been developed for different sectors.

The principles for the postsecondary-education sector are heavily influenced by the nonprofit nature of the enterprise. Since a postsecondary-education institution exists to serve a range of public needs (instruction, research, and public service) rather than to generate profits, its financial reporting structures focus on those services rather than on profits as in the commercial sector.

The unique relationship between revenues and expenditures is a second factor of importance in financial reporting for postsecondary education. In the commercial sector, products are purchased by identifiable consumers. However, in postsecondary education the "products" (instruction, research, public service) are paid for from a number of sources (private gifts, tuition, governmental appropriations), each contributing to part of the total cost. The persons or agencies providing

the revenues are not necessarily the direct beneficiaries of the services (for example, donors usually receive no goods or services in return for their gifts). In commercial enterprise any monies received from the sale of products can be used for any purpose deemed necessary by the organization. However, in postsecondary education, various limitations may be placed on funds received by the institutions. Funders can, and often do, stipulate the specific uses for the funds they provide. In accepting such funds, the institution agrees to the limitations placed on their use.

These characteristics of postsecondary education—its nonprofit nature and the unique relationship between revenues and expenditures—had a profound effect on the principles of financial reporting for postsecondary education. These basic principles relate to one of the following seven factors:

- The basis of accounting
- The fund groups
- The restriction categories
- The reporting of assets, liabilities, and fund balances
- The reporting of additions and revenues
- The reporting of deductions and expenditures
- The reporting of transactions between funds and organizational units

This chapter deals separately with each of these aspects of financial reporting.

Basis of Accounting

Generally accepted accounting principles for postsecondary education specify that the accrual basis should be used in preparing financial reports. Accrual accounting (1) records *revenues* when they are earned (that is, when the conditions upon which the monies were accepted have been fulfilled) and (2) records *expenditures* during the fiscal period in which the activities they support take place. In contrast, the cash basis of accounting records receipts as revenues when the monies are physically received and records disbursements as expenditures when the money is actually spent.

According to accrual accounting, restricted revenues (those with legal obligation to be spent in a specific way) are only earned and reported when they have been expended for the purpose specified by the funder. Although such financial resources may be received by the institutions and added to fund balances, they are *not* reported as revenues until the conditions attached to them are fulfilled (that is, until they are expended). Since they have no conditions attached and are available for use immediately, unrestricted revenues are reported as soon as they are earned.

For expenditures, the fiscal period whose activities are supported by a particular expenditure must sometimes be determined. When expenses, such as insurance, are prepaid or when supply inventories are increased in preparation for

the coming fiscal period, the expenditures should be reported in subsequent fiscal periods, not in the fiscal period in which the funds were actually disbursed.

The rule of materiality applies to reporting both revenues and expenditures. That is, exceptions to following the accrual principle can be made when they will not significantly affect the resulting financial report. For example, an institution strictly following the accrual principle should calculate the value of all inventories of supplies to be used in the following fiscal period and assign their costs to that period. Technically, this principle would have the institutions include the value of supplies in faculty members' offices. However, this calculation would be difficult and its impact on the financial report trivial. Accordingly, this accrual would not be deemed material, and the financial report would only adjust for prepaid inventories in institutional warehouses/stores.

However, two material modifications to strict accrual accounting are recognized and considered consistent with generally accepted accounting principles for post-secondary education. First, no accounting for depreciation is required (although it is allowed). It is general practice in commercial enterprise to depreciate capital assets over their useful life, charging some portion of the value of the assets to each fiscal period in which they are used. In postsecondary education, however, since capital assets are often financed outside of current operations (in the Plant Fund), depreciation concepts are not generally used. Second, expenditures and revenues associated with an academic term conducted beyond a fiscal year-end are reported *totally* within the fiscal year in which the term is predominantly conducted. This exception to strict accrual accounting is primarily applicable to the reporting of expenditures for special or summer sessions.

Many institutions *encumber* funds at the end of a fiscal period. An encumbrance is an obligation incurred in the form of an order or contract on which goods have not yet been received. This is not reported as an expenditure, since the goods have not been received and used. Obligations of this nature may be indicated by a subdivision of a fund balance.

It should be noted that many institutions *report* financial information on an accrual basis even when they are required by state law to *account* for funds on a cash basis. Since the purpose of financial reporting is to disclose information according to a particular set of guidelines, this is an acceptable practice as long as sufficient information is maintained in institutional records to convert to the accrual basis.

The Fund Groups

The generally accepted accounting principles for fund accounting in higher education recommend the use of six fund groups for financial reporting: the Current Funds group, the Loan Funds group, the Endowment and Similar Funds

group, the Annuity and Life Income Funds group, the Plant Funds group, and the Agency Funds group. Each group is an aggregation of individual institutional funds that have certain characteristics in common and are combined for financial reporting. Each fund group and its defining characteristics is described below:

Current Funds Group. The Current Fund includes those economic resources of the institution that are expendable for the day-to-day operations of the institution. For reporting purposes, the Current Fund is generally divided into unrestricted (available for any purpose determined by the governing board) and restricted (available within the Current Fund only for a specified purpose determined by an outside funder).

Loan Funds Group. The Loan Fund consists of those resources that have been loaned or are available for loans to students, faculty, and staff. Often unrestricted and restricted loan funds are reported separately. The Loan Fund operates on a revolving basis whereby the funds, both principal and interest, repaid by the borrowers are made available to new borrowers.

Endowment and Similar Funds Group. The Endowment and Similar Funds group includes funds whose principal is intended to be invested to provide current and future earnings for institutional use. The Endowment and Similar Funds group is usually reported in three subgroups:

1. Endowment Funds—for which donors or outside agencies have stipulated as a condition of the gift that the principal always be retained to be invested to produce income for the institution.
2. Term Endowment Funds—for which the principal must be retained to be invested to produce income for the institution, except that upon the passage of a stated period of time or the occurrence of a particular event, all or part of the principal may be expended. Once the term expires, the funds may be used either subject to board designation or for some purposes previously stipulated by the donor.
3. Quasi-Endowment Funds (or Funds Functioning as Endowment)—which the governing board of an institution rather than an external donor has determined should be retained and invested to produce income. Since those funds are not required by the donor to be retained and invested, the principal as well as the income may be expended at the discretion of the governing board, subject to any other donor-imposed restrictions, for example, that funds must be expended on behalf of the Law School.

Annuity and Life Income Funds Group. The Annuity and Life Income Funds group includes all funds carrying a stipulation that the institution make payments to one or more specified beneficiaries (usually the donor). If the institution is obligated to pay the beneficiary a stipulated amount, the fund is classified as an Annuity Fund. If the institution agrees to pay only the income earned by the assets of the fund or a stipulated percentage of its market value, it is classified as a

Life Income Fund. Upon the death of the beneficiary, or at some agreed-upon date, the principal of the Annuity or Life Income Fund becomes the property of the institution and is then available for use at the discretion of the institution or in accordance with the terms of the agreement. Annuity and Life Income Funds may be reported as part of the Endowment and Similar Funds group if their amounts are not material. If they are reported in this way, the Annuity and Life Income Funds are reported as a separate subgroup of Endowment and Similar Funds.

Plant Funds Group. The Plant Fund includes all of the physical-plant assets of the institution as well as the monies that are set aside for new construction or acquisitions, debt service on plant, and renewal and replacement reserves. This fund group is generally reported in four subgroups:

1. **Unexpended Plant Funds**—includes funds that are available for new construction and acquisitions of physical property but that are unexpended as of the reporting date
2. **Funds for Renewal and Replacement**—includes funds set aside for the renovation and improvement of institutional properties; this subgroup does *not* include funds used for the ordinary maintenance and repair of institutional properties—such expenditures are reported in the Current Fund
3. **Funds for Retirement of Indebtedness**—includes funds set aside to pay off the debt, both principal and interest, on institutional properties
4. **Investment in Plant**—includes all funds invested in physical properties and the outstanding debt on physical plant

Agency Funds Group. The Agency Fund includes all funds for which the institution acts as the custodian or fiscal agent but does not own. Acting as the fiscal agent usually involves providing accounting services for the owner of the funds. When the purpose of a particular report or financial statement is to disclose the total resources available for use by the institution, agency funds are excluded or simply footnoted.

Restriction Categories

Postsecondary-education institutions receive monies from many sources with various kinds and levels of limitations on their use. Since an institution accepts many of these financial resources with conditions on their use, the institution must account for each restricted revenue separately and link it to its expenditures for the specified purpose. For financial reporting, funds are aggregated into *unrestricted* and *restricted* categories in each fund group. Unrestricted funds are sometimes further subdivided into *undesignated* and *designated* funds, depending on determinations made by the governing board of the institution.

RESTRICTED FUNDS

Restricted funds are those accepted by the institution on the condition that they be used for a specified purpose. Upon accepting restricted funds, the institution is legally bound to use the funds for the specified purpose or to refund them. Funds may be restricted in any number of ways.

Restricted Current Funds are those available to be expended for operating purposes but limited to certain purposes by the funder. When funds are limited in their use to support particular functions (instruction, research) or a particular organizational unit (College of Arts and Sciences, Law School), they are reported as restricted funds. State appropriations are generally not reported as restricted funds, even though the legislature may appropriate funds to functions or organizational units and in some cases may actually control expenditures at this level.

Restricted Loan Funds are those funds that according to the conditions specified by the funder may only be used for student, faculty, or staff loans. That is, they are restricted to this particular fund group. They may be further restricted to providing particular kinds of loans (short-term) or to providing loans to particular kinds of students (those with family incomes under \$15,000).

The *Endowment and Similar Funds* group may also have funds restricted in a variety of ways. The Endowment Funds subgroup includes only those funds whose donors required that the principal be retained; that is, that they be restricted to this fund group to be invested to produce income. However, the *income* (which *can* be expended) from investments in this fund subgroup may or may not be restricted to particular functions or organizational units.

The principal of *Term Endowment Funds* is likewise required to be retained to be invested to produce income, that is, to be restricted to this fund subgroup, but only for the specified period of time or until the occurrence of a specified event. Following the expiration of the term, funds from this subgroup may be expended. The income from this subgroup, as well as the principal, subsequent to the expiration of the term endowment, may be subject to additional restrictions to functions or organizational units. In recent years, the notion of the retention of the principal of Endowment or Term Endowment Funds has been undergoing change. A total-return concept has been evolving that essentially provides for the use of capital gains, or some portion thereof, in addition to the investment income (interest and dividends). Such capital gains are expendable and therefore can be transferred from the Endowment and Similar Funds group. Generally accepted accounting principles do not prohibit such an approach but do require that the adoption of the total-return policy be disclosed in the financial report using specific reporting procedures. Capital gains used should be reported as Transfers (from the Endowment Fund to the Current Fund or other fund groups) rather than as revenues to those funds. This serves to distinguish capital gains from the traditional concept of endowment income. A detailed discussion of the total-return concept may be found in the *Audit Guide* (1973, pp. 37-41).

Quasi-endowments are, by definition, not restricted to this fund group, although the income from quasi-endowments may be restricted to a particular function or organizational unit.

Resources of *Annuity and Life Income Funds* are, by definition, restricted to that fund group for the period of the agreement. The institution is required to retain the principal of such funds in order to provide the agreed-upon payments to the beneficiary. When the period covered by the agreement expires, the funds are no longer restricted to this fund group but may be restricted by provisions of the initial agreement to another fund group (such as the Endowment Fund), to a particular function, to a specific organizational unit, or to a combination of the three. The income from Annuity and Life Income Funds is at least partially restricted in that the beneficiary must be paid the stated amount. If income beyond the payment to the beneficiary is available, it may be restricted or unrestricted, depending upon the agreement with the donor.

The *Plant Fund* may also include restricted funds. Such funds include those accepted for constructing, acquiring, or renovating physical facilities in general or for use on a particular physical facility.

Agency Funds are considered neither restricted nor unrestricted, since the institution does not own such funds.

UNRESTRICTED FUNDS

Unrestricted funds are those received without any stipulation of their use by the funder. All unrestricted revenues should be reported as unrestricted Current Funds upon receipt. The institution may expend (or not expend) them in any fund group, for any function, and in any organizational unit. However, unrestricted funds may be *designated* by the institution's governing board for a particular purpose. Although designated funds share many characteristics with restricted funds, for financial reporting they are shown as unrestricted funds, since the governing board has the discretion to redesignate these funds at any time. Funds may be designated in all the ways that they may be restricted; the only distinction is that restrictions are imposed by the funder, while designations are imposed by the institution itself, that is, by the governing board. Designated funds may be reported separately in those fund groups where they occur.

Assets, Liabilities, and Fund Balances

Assets, liabilities, and fund balances are reported to disclose information about institutional financial status at a point in time, usually at the end of the fiscal period. The primary financial report in which these items are reported is the Balance Sheet, although fund balances are also reported in the Statement of Changes in Fund Balances. Assets, liabilities, and fund balances are reported

separately for each fund group (except for the Agency Fund group), often for restricted and unrestricted funds within a fund group, and, in some cases, for fund subgroups.

In the Current Fund group, assets include such items as cash, short-term investments, accounts and notes receivable, inventories, prepaid expenses, and deferred charges, while liabilities include accounts and notes payable, accrued liabilities, deposits, and deferred revenues. Usually, assets and liabilities are separately identified for restricted and unrestricted Current Funds. When restricted and unrestricted assets are combined for reporting purposes, as they sometimes are, any borrowing between the two should be noted in the financial statement. However, fund balances should always be reported separately for restricted and unrestricted Current Funds. Fund balances for restricted Current Funds include restricted incomes from Endowment Funds, the remaining portion of gifts restricted to particular operating purposes (such as scholarships), the remaining portions of grants or contracts received to perform specific activities, and appropriations restricted to particular purposes. Unrestricted fund balances are that portion of the Current Fund balance with no such restrictions.

The assets of the Loan Funds group include cash, notes receivable, and temporary investments of cash available for loans. The value of notes receivable should be calculated at the face value (including both principal and interest) less an allowance for uncollectible loans. Liabilities of the Loan Fund include amounts due for collection fees, amounts due for administrative costs, and amounts due as refunds. Fund balances are reported separately for restricted funds, which the institution may use only for loans, and unrestricted funds, which the institution may use for other purposes. In some cases, financial statements will separate monies available for loans to students from monies available for loans to faculty or staff.

Assets of Endowment and Similar Funds consist primarily of cash and investments, including marketable securities, real estate, patents, copyrights, royalties, and so forth, but may also include other types of assets. Liabilities of Endowment Funds include any indebtedness charged against the above assets. Fund balances are generally reported separately for each subgroup (Endowments, Term Endowments, Quasi-Endowments, and Annuity and Life Income Funds, if they are reported here).

Assets in the Annuity and Life Income Fund group include cash and investments. Liabilities include the actuarial expected value of the payments of Annuity Funds to beneficiaries and the payments owed to beneficiaries of Life Income Funds. Annuity Fund balances are reported as the difference between the value of the assets and the payments to be made under the terms of the annuity agreement, not as the total resources of annuity funds held by the institution. Life Income Fund balances are reported as the excess of the assets of Life Income Funds less any liabilities.

Plant Fund assets include cash, investments, accounts and notes receivable, amounts due from other fund groups, funds on deposit with others, land, buildings, other improvements, and equipment owned by the institution. Purchased assets are valued at cost and donated assets at the market value when given. Estimated appraisals may be made if adequate historical costs are not available. The method of valuation should be noted in the financial statements. Liabilities include accounts payable, bonds, notes and mortgages payable, and amounts due to other funds. Assets and liabilities are usually reported separately for each subgroup within the Plant Funds group. Fund balances should be reported separately for each subgroup, and restricted fund balances reported separately in the subgroup in which they belong, usually Unexpended Plant Funds. Fund balances in the Unexpended Plant Funds subgroup, the Renewal and Replacement subgroup, and the Retirement of Indebtedness subgroup represent reserves held for the particular purposes of the subgroup. Fund balances in the Investment in Plant subgroup represent the net investment of the institution in plant.

Agency Fund assets include cash, investments, and amounts receivable. Its liabilities are primarily amounts owed to the individual or organization for which the institution is acting as fiscal agent.

Additions and Revenues

Additions are the new resources made available to an institution during a specific period, usually a fiscal year. They represent the flow of financial resources into the fund groups of the institution and are reported separately for each fund group. Additions are distinct from transfers from one fund group to another. Restricted and unrestricted additions are reported separately. The Statement of Changes in Fund Balances reports the additions to all fund groups by source.

The term *revenues* is used only in the Current Funds group. Revenues include all unrestricted monies accepted during the reporting period and those restricted funds expended for operating purposes during the reporting period. On the other hand, the term *additions* applies to all fund groups. The two concepts differ because the accrual basis of accounting stipulates that revenues should be reported only when earned. Therefore all unrestricted monies are reported as revenues in the Current Fund as soon as they are accepted by the institution. However, restricted funds are not earned until the terms of the agreement under which they were given are met, that is, when they are expended for the specified purpose. Moreover, not all restricted monies are received for purposes reflected in the Current Funds group. Thus when they are physically received, restricted funds are reported as additions to the appropriate fund group in the Statement of Changes in Fund Balances. However, they are reported as revenues only if they are restricted in the Current Fund and not until they have been expended in accordance with the restriction.

The categories normally used to report additions in all fund groups are:

- Tuition and Fees
- Governmental Appropriations
- Governmental Grants and Contracts
- Private Gifts, Grants, and Contracts
- Investment Income
- Net Realized Gains on Sale of Investments
- Sales and Services of Educational Activities
- Sales and Services of Auxiliary Enterprises
- Sales and Services of Hospitals
- Other

Definitions of these categories may be found in chapter 3.

The categories normally used for reporting revenues in the Current Fund are:

- Tuition and Fees
- Governmental Appropriations—Federal
- Governmental Appropriations—State
- Governmental Appropriations—Local
- Governmental Grants and Contracts—Federal
- Governmental Grants and Contracts—State
- Governmental Grants and Contracts—Local
- Private Gifts, Grants, and Contracts
- Endowment Income
- Sales and Services of Educational Activities
- Sales and Services of Auxiliary Enterprises
- Sales and Services of Hospitals
- Other Sources
- Independent Operations

Definitions of these categories are found in chapter 5.

In the Current Fund, additions include all restricted and unrestricted resources received by the institution during the reporting period. Restricted additions include restricted gifts for specific operating purposes, restricted endowment income distributed, grants and contracts from private organizations or governments for specified purposes, and income from investments of restricted Current Funds. Restricted and unrestricted additions are reported separately. Unrestricted Current Fund revenues are identical to unrestricted additions, but restricted additions differ from restricted revenues, as already noted.

Additions to the Loan Fund include gifts, bequests, and government advances restricted to use for loans or interest on loan notes; income from Endowment Funds whose earnings are restricted to use for loans; and income and capital gains on investment of Loan Funds. Restricted and unrestricted additions are often reported separately.

Additions to the Endowment and Similar Funds group include new gifts or bequests restricted to endowment,¹ income added to principal as provided in the gift instrument, and capital gains of the fund group. Income earned by Endowment and Similar Funds if distributed is not treated as an addition to this fund group except as noted above, but as an addition to the fund group (usually the Current Fund) for which the invested endowment funds are expected to provide income.

In the Annuity and Life Income Fund group, additions include new gifts in excess of the actuarial present value of an annuity fund, recomputation of the actuarial liability of an annuity to reflect a lowered life expectancy of the beneficiary, new gifts to life income funds, and gains on investments.

Additions to the Plant Fund include: (1) the net proceeds from sales of physical properties (after the liquidation of any liabilities); (2) student fees that are assessed for debt service or plant expansion in a manner that creates an obligation equivalent to an externally imposed restriction, for example, when an institution represents to use certain fees for the retirement of a specific debt or a particular construction project; (3) gifts, grants, and appropriations restricted to physical-plant purposes; (4) income and gains from the investment of plant funds; and (5) direct gifts of physical-plant assets (library books, equipment). Additions in the Plant Fund are reported by subgroup and in some cases may constitute a conversion of assets from some other fund group to the Investment in Plant subgroup. This occurs, for example, when Unexpended Plant Funds are used to build a facility or when Current Funds are used to buy capital equipment, thereby adding to the total value of Investment in Plant. (*Note:* This is an exception to the general principle that additions reflect net increases in the resources of the institution as a whole.)

Deductions and Expenditures

Deductions and expenditures are the resources that flow out of the fund groups of the institution during the reporting period, usually a fiscal year. Only outflows of resources from the institution as a whole are considered deductions or expenditures; transfers between fund groups are excluded. Deductions and expenditures are reported separately for each fund group and for restricted and unrestricted funds. The Statement of Changes in Fund Balances reports deductions for all fund groups, while the Statement of Current Funds Revenues, Expenditures, and Other Changes reports only expenditures and transfers for the Current Funds group. The categories most frequently used to report deductions in the Statement of Changes in Fund Balances include:

1. Gifts assigned to quasi-endowments should be shown as transfers, not additions, since they represent unrestricted funds assigned to this fund group by the governing board.

- Current Fund Expenditures
- Loan Cancellations and Write-offs
- Expenditures for Plant Facilities
- Debt Service
- Expired Term Endowment
- Other

Definitions of these deduction categories may be found in chapter 3.

In the Current Fund, deductions include all expenditures attributable to the reporting period, refunds to donors and grantors of restricted funds, and losses on investments of the Current Fund. Deductions are reported separately for restricted and unrestricted funds.

Current Fund Expenditures represent a particular kind of deduction. They may be reported as a single figure in the Statement of Changes in Fund Balances but are reported separately in the Statement of Current Funds Revenues, Expenditures, and Other Changes. The standard categories used to classify Current Funds Expenditures are:

1. Educational and General
 - Instruction
 - Research
 - Public Service
 - Academic Support
 - Student Services
 - Institutional Support
 - Operation and Maintenance of Plant
 - Scholarships and Fellowships
2. Auxiliary Enterprise
3. Hospitals
4. Independent Operations

As shown above, Current Fund Expenditures, except those for Auxiliary Enterprises, Hospitals, and Independent Operations, are grouped and described as Educational and General Expenditures. In the Statement of Current Funds Revenues, Expenditures, and Other Changes, transfers are usually reported with the expenditures subtotal for each of the major expenditure groupings: Educational and General, Auxiliary Enterprises, Hospitals, and Independent Operations.

In the Loan Funds group, deductions include losses on investments of loan funds, write-offs of, or provisions for, uncollectible loans (including some loans forgiven under certain provisions by the funder), administrative and collection costs, and refunds to grantors of restricted funds. (*Note:* Some Loan Fund agreements may require that principal and/or interest be returned to the grantor.) Restricted and unrestricted deductions are usually reported separately.

In the Endowment and Similar Funds group, deductions include capital or investment losses of these funds. Since the principal in this fund group is required to be retained in perpetuity (for endowment funds), until a specified term is completed (for term endowments), or until redesignated and transferred (for quasi-endowments), there are no additional deductions other than transfers for this fund group. Even the appropriation of capital gains under the total-return concept is treated as a transfer. The deductions are reported separately for each fund subgroup.

Deductions from the Annuity and Life Income Fund group include changes in the actuarial liability to the beneficiaries of annuity funds due to reductions in life expectancy and losses on investment of either life income or annuity funds. Terminations of annuity and life income funds are treated as a transfer to unrestricted Current Funds or to a fund group specified by the donor.

In the Plant Fund, deductions include losses on investments of plant funds, fund-raising expenses for building campaigns, payments on principal and interest of debt, trustee fees, and disposal, abandonment, or loss of physical-plant assets. Also, deductions representing conversion from one type of plant asset to another can be reported in Plant Fund subgroups. For instance, when monies from the Unexpended Plant Funds subgroup are used to construct a building, a deduction is reported in that subgroup along with a corresponding addition to the Investment in Plant subgroup. Plant Fund deductions are normally reported separately for each subgroup and for restricted and unrestricted funds.

Interfund Transactions

Interfund transactions are basically of two kinds: loans and transfers. Interfund loans advance resources from one fund group to another with the intention of eventually returning the resources to their original fund group. Within the limits of prudent financial management, funds may be loaned from any fund group to any other or from any restriction category to any other, unless specifically prohibited by the agreement accepting the funds. There are only two reporting requirements for loans. Any outstanding loans at the date of the report must be shown on the Balance Sheet as due to or due from another fund. In addition, any interest received or paid on interfund loans must be shown on the Statement of Changes in Fund Balances and/or the Statement of Current Funds Revenues, Expenditures, and Other Changes as revenue or expenditures.

Transfers permanently move resources from one fund group to another. Funds may not be transferred from one restriction category to another except in special cases, as noted in the following paragraphs. They may be either *mandatory transfers*, which include all transfers from the Current Fund to other fund groups to meet a binding legal obligation, such as debt service or required matching funds, or *nonmandatory transfers*, which are made at the discretion of the institution's

governing board and can represent transfers from any fund group to any other. Transfers are reported both in the fund group where the monies originate and in the fund group to which they are transferred. Since no resources are gained or lost by the institution as a whole, the total of all transfers must always equal zero.

Transfers out of the Current Fund include mandatory transfers to the Plant Fund for debt service on educational plant, auxiliary-enterprises plant, and hospital plant, as well as mandatory transfers to the Loan Fund to match federal (and other) loan funds. Nonmandatory transfers from the Current Fund may also be made. Often an institution's governing board will determine that unrestricted monies should be used for some purpose other than current operations, such as quasi-endowments, plant, or student loans, and will designate the monies for that purpose. In such a case, an institution should report unrestricted revenue in the unrestricted Current Fund when it is accepted and then make a transfer to the appropriate fund group. (Unrestricted revenue should be reported only to the Current Fund upon acceptance by the institution.) These board-determined designations may, of course, be removed at any time and the resources transferred back to the unrestricted Current Fund. Similarly, monies restricted to a particular function or organizational unit but not to a particular fund group should be reported as an addition to the restricted Current Fund from which the monies may be expended, or, if the institution so desires and the agreement accepting the funds allows, the monies may be transferred to other fund groups. For example, monies restricted to use for the Law School may be transferred to the Endowment and Similar Funds group and designated as a quasi-endowment, as long as the income of the quasi-endowment is used for the Law School.

Unrestricted Loan Funds may be transferred to other fund groups at the discretion of the governing board of the institution. Monies restricted to the Loan Fund group may not be transferred except when the restriction lapses according to the terms of the original agreement. Any transfers should be noted in both the providing fund group and the receiving fund group.

Transfers from the Endowment and Similar Funds group to other fund groups can occur in each of the fund subgroups. Since monies in the Endowment Funds subgroup are restricted to this fund group, they normally may not be transferred. However, if the total-return concept is used, any appropriation of capital gains for purposes other than endowment should be reported as a transfer rather than as a revenue in the receiving fund group. Term endowments, like true endowments, are restricted to the Endowment and Similar Funds group until the term is completed. The resources must then be transferred to another fund group specified in the original agreement or to the Current Fund. If the governing board so chooses, it can redesignate the monies to another fund group or transfer the monies back to the Endowment and Similar Funds group as a quasi-endowment. Quasi-endowments may be transferred at the discretion of the governing board of the institution to any other fund group.

Annuity and Life Income Funds are transferred to other fund groups only when the terms of the agreement have been fulfilled and it is terminated. A transfer should then be reported to the fund group specified by the donor, or in the absence of such a specification, to unrestricted Current Funds, even though it may later be designated by the governing board to another fund group.

Transfers from the Plant Fund are reported when unrestricted fund balances are redesignated by the governing board to another fund group. Since the Plant Fund is often reported by subgroups, transfers should be reported when resources are transferred from one subgroup to another, such as redesignation of a fund balance from Unexpended Plant Funds to Funds for Renewal and Replacement. The purchase of physical-plant assets, that is, the conversion of assets from the Unexpended Plant Funds subgroup to assets in the Investments in Plant subgroup, is *not* reported as a transfer, but as a deduction from the Unexpended Plant Funds subgroup and an addition to the Investment in Plant subgroup.

The Balance Sheet

Description

The Balance Sheet describes the financial position of the institution at a particular point in time, usually the end of a fiscal period. This description is a “snapshot” of the resource levels of the institution. It does not show the flow of revenues and expenditures. Rather, it shows the assets and liabilities of the institution, as do Balance Sheets in the corporate sector. Information about the balance between assets and liabilities can indicate the financial strengths and weaknesses of an institution.

Because an institution of higher education has fiduciary responsibility to many funders who have placed different kinds and levels of requirements on the use of funds, Balance Sheet information is prepared for each self-balancing fund. For financial reporting, these many separate funds are aggregated into the fund groups described in chapter 1 (Current Funds, Loan Funds, Endowment and Similar Funds, Annuity and Life Income Funds, Plant Funds, and Agency Funds) and reported on a single Balance Sheet for the institution.

Format

Two basic formats are commonly used in preparing Balance Sheets for post-secondary-education institutions—the layered Balance Sheet and the columnar Balance Sheet.

LAYERED BALANCE SHEET

June 30, 19__

with comparative figures at June 30, 19__

Assets

Liabilities and Fund Balances

Current Funds

Current Funds

	Current Year	Prior Year
Unrestricted		
Cash	\$ 210,000	\$ 110,000
Investments	450,000	360,000
Accounts receivable, less allowance of \$18,000 both years	228,000	175,000
Inventories, at lower of cost (first-in, first-out basis) or market	90,000	80,000
Prepaid expenses and deferred charges	28,000	20,000
Total unrestricted	1,006,000	745,000
Restricted		
Cash	145,000	101,000
Investments	175,000	165,000
Accounts receivable, less allowance of \$8,000 both years	68,000	160,000
Unbilled charges	72,000	—
Total restricted	460,000	426,000
Total current funds	1,466,000	1,171,000

	Current Year	Prior Year
Unrestricted		
Accounts payable	\$ 125,000	\$ 100,000
Accrued liabilities	20,000	15,000
Students' deposits	30,000	35,000
Due to other funds	158,000	120,000
Deferred credits	30,000	20,000
Fund balance	643,000	455,000
Total unrestricted	1,006,000	745,000
Restricted		
Accounts payable	14,000	5,000
Fund balances	446,000	421,000
Total restricted	460,000	426,000
Total current funds	1,466,000	1,171,000

Loan Funds

Loan Funds

Cash	30,000	20,000
Investments	100,000	100,000
Loans to students, faculty, and staff, less allowance of \$10,000 current year and \$9,000 prior year	550,000	362,000
Due from unrestricted funds	3,000	—
Total loan funds	683,000	502,000

Fund balances		
U.S. government grants refundable	50,000	33,000
University funds		
Restricted	483,000	369,000
Unrestricted	150,000	100,000
Total loan funds	683,000	502,000

Endowment and Similar Funds

Endowment and Similar Funds

Cash	100,000	101,000
Investments	13,900,000	11,800,000
Total endowment and similar funds	14,000,000	11,901,000

Fund balances		
Endowment	7,800,000	6,740,000
Term endowment	3,840,000	3,420,000
Quasi-endowment—unrestricted	1,000,000	800,000
Quasi-endowment—restricted	1,360,000	941,000
Total endowment and similar funds	14,000,000	11,901,000

Annuity and Life Income Funds

Annuity funds		
Cash	\$ 55,000	\$ 45,000
Investments	3,260,000	3,010,000
Total annuity funds	3,315,000	3,055,000
Life income funds		
Cash	15,000	15,000
Investments	2,045,000	1,740,000
Total life income funds	2,060,000	1,755,000
Total annuity and life income funds	5,375,000	4,810,000

Plant Funds

Unexpended		
Cash	275,000	410,000
Investments	1,285,000	1,590,000
Due from unrestricted current funds	150,000	120,000
Total unexpended	1,710,000	2,120,000
Renewals and replacements		
Cash	5,000	4,000
Investments	150,000	286,000
Deposits with trustees	100,000	90,000
Due from unrestricted current funds	5,000	—
Total renewals and replacements	260,000	380,000
Retirement of indebtedness		
Cash	50,000	40,000
Deposits with trustees	250,000	253,000
Total retirement of indebtedness	300,000	293,000
Investment in plant		
Land	500,000	500,000
Land improvements	1,000,000	1,110,000
Buildings	25,000,000	24,060,000
Equipment	15,000,000	14,200,000
Library books	100,000	80,000
Total investment in plant	41,600,000	39,950,000
Total plant funds	43,870,000	42,743,000

Agency Funds

Cash	50,000	70,000
Investments	60,000	20,000
Total agency funds	110,000	90,000

Annuity and Life Income Funds

Annuity funds		
Annuities payable	\$ 2,150,000	\$ 2,300,000
Fund balances	1,165,000	755,000
Total annuity funds	3,315,000	3,055,000
Life income funds		
Income payable	5,000	5,000
Fund balances	2,055,000	1,750,000
Total life income funds	2,060,000	1,755,000
Total annuity and life income funds	5,375,000	4,810,000

Plant Funds

Unexpended		
Accounts payable	10,000	—
Notes payable	100,000	—
Bonds payable	400,000	—
Fund balances		
Restricted	1,000,000	1,860,000
Unrestricted	200,000	260,000
Total unexpended	1,710,000	2,120,000
Renewals and replacements		
Fund balances		
Restricted	25,000	180,000
Unrestricted	235,000	200,000
Total renewals and replacements	260,000	380,000
Retirement of indebtedness		
Fund balances		
Restricted	185,000	125,000
Unrestricted	115,000	168,000
Total retirement of indebtedness	300,000	293,000
Investment in plant		
Notes payable	790,000	810,000
Bonds payable	2,200,000	2,400,000
Mortgages payable	400,000	200,000
Net investment in plant	38,210,000	36,540,000
Total investment in plant	41,600,000	39,950,000
Total plant funds	43,870,000	42,743,000
Agency Funds		
Deposits held in custody for others	110,000	90,000
Total agency funds	110,000	90,000

Example Educational Institution

FIGURE 2

COLUMNAR BALANCE SHEET

June 30, 19____

(In Thousands of Dollars)	Current Funds		Loan Funds	Endowment and Similar Funds	Annuity and Life Income Funds	Plant Funds			
	Unrestricted	Restricted				Unexpended	Renewal and Replacement	Retirement of Indebtedness	Investment in Plant
Assets									
Cash	210	145	30	100	70	275	5	50	
Investments	450	175	100	13,900	5,305	1,285	150		
Accounts Receivable	228	68							
Inventories, Prepaid Expenses, etc.	118	72							
Notes Receivable			550						
Institutional Plant									41,600
Interfund Borrowing—Due From			3			150	5		
Deposits with Trustees							100	250	
Total Assets	1,006	460	683	14,000	5,375	1,710	260	300	41,600
Liabilities									
Accounts Payable and Accrued Liability	145	14				10			
Student Deposits	30								
Deferred Revenues	30								
Notes Payable						100			790
Contracts Payable					2,155				
Mortgages Payable									400
Bonds Payable						400			
Interfund Borrowing—Due To	158								2,200
Total Liabilities	363	14			2,155	510			3,390
Fund Balances									
For Current Operations—Unrestricted	643								
For Current Operations—Restricted		446							
Board Designated Funds			150	1,000		200	235	115	
Restricted to Other Than Current Purposes			533	13,000	3,220	1,000	25	185	
Net Investment in Institutional Plant									38,210
Total Fund Balances	643	446	683	14,000	3,220	1,200	260	300	38,210
Total Liabilities and Fund Balances	1,006	460	683	14,000	5,375	1,710	260	300	41,600

NOTE: There are many possible formats for a columnar balance sheet, of which this is one. The figures shown here are consistent with those in figure 1, although the categories are slightly different.

The *layered Balance Sheet* comprises a series of mini-Balance Sheets, showing the assets, liabilities, and fund balance for each major fund group, displayed in a series of layers (see figure 1). Taken together, these mini-Balance Sheets form the institutional Balance Sheet.

One of the advantages of the layered Balance Sheet, as seen in figure 1, is that for each item, it usually displays the figure for the prior year adjacent to the figure for the current year. For planning and management, this format provides the user with easily obtainable trend data for every item. Layered Balance Sheets can be prepared to show comparative data for each item for more than two years, or a series of layered Balance Sheets for successive years can be compared to show even longer-term trends.

The primary advantage of the layered format for the Balance Sheet is that it tends to direct the user's attention to individual fund groups, thus emphasizing the intended, and the legally restricted, uses of the resources of the institution. It also enables the institution to show substantial detail about types of assets, liabilities, and fund balances for each fund group. However, it may be difficult to get an overall picture of the institution using this format.

The *columnar Balance Sheet* (see figure 2) displays in separate columns for each fund group the same figures for the institution's assets, liabilities, and fund balances as are shown in the layered format in figure 1. It consolidates similar fund balances and distributes each type among the various fund groups. However, the actual fund balances for each fund group are the same in both types of Balance Sheet format.

Definitions

The following terms are used on the Balance Sheet.

1. *Assets*

- a. *Cash*. Includes the cash on hand, petty cash, and cash in bank accounts associated with each fund group.
- b. *Investments*. Includes marketable securities, real estate, patents, copyrights, royalties, participations, and so forth. Investments purchased are reported in the financial statements at cost, and investments received as gifts are reported at the fair market or appraised value at the date of gift, unless there has been an impairment of value not considered to be temporary. Investments in wasting assets, other than institutional plant, usually are reported net of allowance for depreciation or depletion. Premiums paid on interest-bearing obligations held as long-term investments should be amortized, and provisions should be made for the accumulation of discounts unless inappropriate because of default or quality of the bonds. As a permissible alternative, investments, exclusive

of physical plant, may be reported in the financial statements at current market value or fair value, provided this basis is used for all investments of all funds. When using this alternative, unrealized gains and losses should be reported in the same manner as realized gains and losses are reported under the cost basis. (The financial report should state which of those methods is being used.) If the institution records investments on the Balance Sheet at cost, information should be included to show market value. Investments may be categorized further in a financial report as securities, real estate, and other investments.

- Securities—includes bonds, notes, preferred stocks, and common stocks.
 - Real Estate—includes real property in which funds are invested for the purpose of producing income (usually a part of the Endowment Fund). Such properties may be acquired by gift, purchase, or foreclosure of mortgage notes.
- c. *Pledges Receivable*. Pledges may be reported in the Balance Sheet as a receivable, if of material amount and if an estimated net realizable value for such pledges can be computed. Net realizable value includes the present value of long-term pledges as well as reductions for any allowance for uncollectible pledges. Pledges of gifts, including uncollected subscriptions, subscription notes, and estate notes, will be disclosed in the notes to the financial report, unless they are reported in the financial statements themselves. The notes to the financial statements will disclose the gross amounts by time periods over which the pledges are to be collected and related restrictions, if any, as to use. (Note: The example Balance Sheets, figures 1 and 2, do not show any pledges receivable.)
- d. *Accounts Receivable*. Includes all amounts owed the institution for completed sales of goods and services. Governmental appropriations that are subject to release by a governmental officer for institutional use should be shown here and not under cash. Grants not yet funded and for which the institution has not yet performed services should not be considered assets to be accounted for in the financial statements. However, the total amount of such uncollected grant awards at the date of the Balance Sheet may be disclosed in the notes to the financial statements. Accounts receivable are shown at face value less an allowance for doubtful accounts.
- e. *Notes Receivable*. Includes all amounts owed on promissory notes (including student loans) by debtors. Notes receivable for loans should be carried in the Loan Fund group at face value less allowance for doubtful loans. Provisions for uncollectible loans should be charged to the equity account of the specific loan fund.
- f. *Inventories*. Includes merchandise for sale, including supplies and stocks in stores. Examples of the latter are office supplies, fuel, building supplies, and goods not yet charged as expense but carried in stock in

general storerooms for future requisition or sale. Inventories are not charged as expense until used. Merchandise for sale includes such items as inventories of student stores, university presses, and food service.

- g. *Prepaid Expenses and Deferred Charges*. Includes that portion of operating expenditures properly chargeable in a period subsequent to the date of the Balance Sheet.
 - h. *Institutional Plant*. Includes land, land improvements, buildings, equipment, and library books. These subcategories of Institutional Plant are broken out separately in figure 1 (the layered Balance Sheet) and combined in figure 2 (the columnar Balance Sheet).
 - i. *Interfund Borrowing Due from Other Funds*. Includes the amounts of funds loaned temporarily between fund groups (for example, unrestricted Current Funds loaned to the Plant Fund). Except for temporary advances, usually up to one year, the term of borrowings and repayments should be disclosed.
 - j. *Deposits with Trustees*. Includes monies on deposit with trustees under bond indentures for the retirement of indebtedness.
2. *Liabilities*. In keeping with accrual accounting, expenses incurred at the date of the Balance Sheet should be accrued, and the expenses applicable to future periods should be deferred. However, certain deferrals and accruals, such as investment income and interest on student loans, are often omitted. Nevertheless, the only basis for their omission should be that the omission does not have a material effect on the financial statements. Encumbrances representing outstanding purchase orders and other commitments for materials or services not received as of the reporting date should not be reported as liabilities in the Balance Sheet but may be shown as a subdivision of a fund balance.
- a. *Accounts Payable and Accrued Liabilities*. Includes liabilities for goods received and other expenses incurred for which disbursements have not been made as of the date of the financial statement. Salaries and wages earned and unpaid are included in this category in the Current Fund.² Amounts deducted from payrolls and not yet forwarded to proper agencies, such as income taxes withheld, social-security taxes, and retirement-annuity premiums, are shown here.

Indebtedness incurred to finance plant acquisition, construction, and the like should be included in this category as a liability of the Unexpended Plant Fund subgroup until the proceeds of the indebtedness are expended, at which time the expended amount and the related liability should be transferred to the Investment-in-Plant subgroup.

2. Where faculty contracts are on an academic-year basis (September through August) with 12 monthly payments to be made and the institution's fiscal year ends June 30, salaries for two months (July and August) should be shown as accrued liabilities on the Balance Sheet.

- b. *Deposits*. Includes receipts that an institution may be required to repay in whole or in part. Examples are deposits for breakage, room-rental contracts, keys, library books, and reservations for admission to the institution or to the residence halls.
- c. *Deferred Revenue/Credits*. Includes payments, received by the institution in advance of the reporting period to which they apply, for services to be rendered in a subsequent reporting period. Examples are tuition, fees, and room rentals paid in advance of the fiscal period to which they apply.
- d. *Notes, Bonds, and Mortgages Payable*. Includes liabilities for outstanding notes, bonds, and mortgages issued or incurred by the institution.
- e. *Contracts Payable*. Includes payments that the institution is required to make on existing contracts. Specifically included is the present value of the aggregate liability for annuities payable in annuity funds and income payable in life income funds based upon acceptable life-expectancy tables. When a gift to set up an annuity is received, the present value of the annuities payable is credited to the liability account and the remainder to the fund balance, even though it may be a negative amount. Periodically, an adjustment is made in the annuity fund balance between the liability based on the revised life expectancy. When a gift is received to set up a life income fund, no liabilities are reported. A liability exists for life income funds only when earned investment due to beneficiaries has not been disbursed.
- f. *Interfund Borrowing Due to Other Funds*. Represents the amounts of funds loaned temporarily between fund groups (for example, unrestricted Current Funds loaned to the Plant Fund). Except for temporary advances, usually up to one year, the terms of borrowing and repayment should be disclosed.

3. *Fund Balances*

- a. *Unrestricted Current Funds Balance*. The unrestricted fund balance in the Current Fund represents the net accumulation of unrestricted Current Funds revenues over Current Funds expenditures and transfers. This amount is available for future operating purposes or for any other use approved by the governing board of the institution. The fund balance may be subdivided to reflect portions applicable to auxiliary enterprises, gifts allocated to future periods or reserved for specific purposes, purchase orders outstanding, budget balances carried forward or other designations of the governing board, and the unallocated balance.
- b. *Restricted Current Funds Balance*. Includes the unexpended balances of funds restricted by donors or other outside agencies to specific current operating purposes. Such externally imposed restrictions are to be contrasted with internally created designations imposed by the governing board on unrestricted funds. These funds originate from income on

restricted endowment funds, gifts from donors who have placed limitations on their use, and grants from private or governmental sources specifically for research, training, and so forth. This item on the Balance Sheet consists of those restricted funds available for expenditure in future reporting periods.

- c. *Loan Funds Balance.* Includes the balance of those funds available for loans to students, faculty, or staff. The fund-balance section should display separately the unrestricted and restricted portions of the Loan Funds balance. The only unrestricted funds in the Loan Funds group are those unrestricted funds designated by the governing board to function as loan funds. Since action of the governing board at some future date may require that the funds be returned to the Current Fund or transferred to another fund group, the unrestricted fund balance should be shown separately from the restricted fund balance. For appropriate disclosure, the source of the funds available for loan purposes at the date of the Balance Sheet should be separately identified in the financial statements. For example, the fund balance should show donor and governmental restricted loan funds, funds provided by mandatory transfers required for matching purposes, and unrestricted funds designated as loan funds.
- d. *Endowment and Similar Funds Balance.* Separate fund balances are usually identified for Endowment Funds, Term Endowment Funds, and Quasi-Endowment Funds. The fund balance of Quasi-Endowment Funds is not considered to be restricted to the Endowment and Similar Funds group in that it may be transferred between fund groups. However, it is possible for quasi-endowment funds to be restricted by function or organizational unit, even though the principal may be expended. For example, an institution may receive a gift to be used to benefit the Law School. Rather than expend the funds in one year, the governing board may decide to establish a quasi-endowment fund with the income to be used in the Law School. At some later date, the governing board could then decide to expend some of the principal of the quasi-endowment fund, but it would still have to be spent for some purpose of the Law School. The balance of Term Endowment Funds cannot be transferred out of this fund group until the agreed-upon time period expires or a specified event takes place. The income of term endowment funds also may be either restricted or unrestricted as to function or organizational unit, even after the term endowment has lapsed.
- e. *Annuity Funds Balance.* Includes any excess of assets over liabilities (which must include an actuarial liability for annuities payable) in annuity funds. For the most part, fund balances of Annuity Funds should be considered restricted to that fund group until terms of the annuity agreement are met. If the fund balance exceeds the actuarial liability, the excess

- portion of the fund balance may be considered unrestricted. Upon termination, the Annuity Funds balance should be transferred to the fund group designated by the grantor or, in the absence of such a designation, to unrestricted Current Funds revenue. A detailed discussion of the generally accepted method for recording and reporting Annuity Funds can be found in chapter 10, *Audits of College and Universities* (AICPA 1973).
- f. *Life Income Funds Balance*. Includes any excess of assets over liabilities. All fund balances of Life Income Funds should be considered restricted to that fund group until the terms of the life income agreement are met and the resources can be transferred to another fund group. Life income funds are usually accounted for as separate funds but may be combined with annuity funds for reporting purposes. When amounts are not material, both of these fund groups may be reported as a subclassification of Endowment and Similar Funds.
 - g. *Unexpended Plant Funds Balance*. Includes those unexpended resources that have been set aside for the purchase or construction of physical plant in excess of any associated liabilities. Resources restricted by donor or outside agencies to additions to plant or to the acquisition of physical properties are generally recorded in this fund balance upon receipt. Restricted Plant Funds balances are shown separately from those unrestricted fund balances that have been designated for plant purposes by the governing board. Construction in progress may be included in this fund balance if not included in Investment in Plant.

If physical-plant assets are sold, the proceeds may be restricted if so stipulated by the donor of the property disposed of. They are then added to the Unexpended Plant Funds balance. (The institution should consider obtaining a legal opinion on such action, however.) If the proceeds are considered unrestricted and are kept in Unexpended Plant Funds, they should be properly disclosed on the Balance Sheet as being unrestricted.

- h. *Funds for Renewal and Replacement Balance*. Includes unexpended resources held for the renewal and replacement of physical plant. The fund balance should be subdivided between unrestricted resources designated by the governing board for renewal and replacement purposes and resources restricted by donors to such purposes (including fund balances arising from agreements with outside agencies, such as trustees under bond indentures, and restricted gifts, grants, and governmental appropriations).
- i. *Funds for Retirement of Indebtedness Balance*. Includes those resources held for the retirement of, and the payment of interest on, the debt owed on the institution's physical plant. It includes sinking funds established under bond indentures, mortgage amortization payments accumulated but not yet due, and other resources accumulated for interest and debt

retirement. Fund balances should be subdivided between those unrestricted resources designated by the governing board for debt retirement purposes and restricted resources.

- j. *Net Investment in Plant.* Includes the total of the institutional equity in physical-plant assets. It is, in short, the institution's paid-for plant facilities. This figure is usually calculated on the basis of the original cost of the plant. Construction in progress may be included in this subgroup if it is not included in Unexpended Plant Funds. When physical-plant assets are sold or otherwise disposed of, the carrying value of those assets should be removed from the asset accounts, and net investment in plant should be reduced accordingly. It is permissible to reflect depreciation on physical-plant facilities on the Balance Sheet. See pp. 9-10 of *Audits of Colleges and Universities* (AICPA 1973) for a discussion of depreciation.
- k. *For Current Operations—Unrestricted; For Current Operations—Restricted.* These two items represent that portion of the excess of assets over liabilities in the Current Fund that is available for the support of the current operations of the institution.
- l. *Board Designated Funds.* This item includes all unrestricted fund balances (other than those in the Current Fund) and therefore represents that portion of the fund balances that is designated by the governing board of the institution for use in those fund groups.
- m. *Restricted to Other Than Current Operations.* This item includes all fund balances that have been restricted by the donors for purposes other than the support of current operations.

Statement of Changes in Fund Balances

Description

The Statement of Changes in Fund Balances shows the overall flow of funds into and out of the institution among the institution's fund groups. It answers questions about the source and use of funds and the management and preservation of resources. Unlike the Balance Sheet, the Statement of Changes in Fund Balances describes the financial *activity* of the institution over the course of a fiscal period. The Statement of Changes in Fund Balances thus displays additions, deductions, and transfers, rather than assets and liabilities.

Like all financial statements for postsecondary education, the Statement of Changes in Fund Balances is based on the individual funds established by the institution to maintain fiduciary controls over its various sources of financing. For reporting purposes, these funds are aggregated into the normal fund groups (Current Funds, Loan Funds, Endowment and Similar Funds, Annuity and Life Income Funds, Plant Funds, and Agency Funds). Each fund group is usually displayed as a column(s) on the Statement of Changes in Fund Balances. The fund groups internally balance in the reports. Agency Funds are generally not shown on the Statement of Changes in Fund Balances because they have no fund balances.

FIGURE 3
STATEMENT OF CHANGES IN FUND BALANCES
Year Ended June 30, 19__

(Figures in Thousands of Dollars)		Current Funds		Loan Funds	Endowment and Similar Funds	Annuity and Life Income Funds	Plant Funds			
		Unrestricted	Restricted				Unexpended	Renewal and Replacement	Retirement of Indebtedness	Investment in Plant
Additions	Tuition and Fees	2,600								
	Governmental Appropriations	Local								
		State	1,300				50			
		Federal								
	Governmental Grants and Contracts	Local								
		State								
		Federal	35	500						
	Private Gifts, Grants, and Contracts	850	370	100	1,500	800	115		65	15
	Investment Income	Unrestricted	325							
		Restricted		224	12	10		5	5	5
	Net Realized Gains on Sales of Investments	Unrestricted				109				
		Restricted			4	50		10	5	5
	Sales and Services of Auxiliary Enterprises		2,200							
Sales and Services of Educational Activities		190								
Other (itemize if material)	Additions to Plant Facilities								1,550	
	Retirement of Indebtedness								220	
	Other	40		25	10		50		3	
Total Additions		7,540	1,094	141	1,679	800	230	10	78	1,785
Deductions	Current Fund Expenditures	Educational and General	4,400	1,014						
		Noneducational and General (including Auxiliary Enterprises)	1,830							
	Loan Cancellations and Write-Offs			1						
	Expended for Plant Facilities						1,200	300		
	Debt Service	Principal								220
		Interest								190
	Other (itemize if material)	Expired Term Endowment				90				
Disposal of Plant Facilities										
Other			55	11		85				
Total Deductions		6,230	1,069	12	90	85	1,200	300	411	115
Transfers	Mandatory Transfers Into/(Out of)	Debt Service	(340)						340	
		Renewal and Replacement	(170)					170		
		Loan Fund Matching Grant	(2)		2					
		Other (itemize if material)								
	Nonmandatory Transfers Into/(Out of)	Distribution of Capital Gains	40			(40)				
Designation of Unrestricted Funds		(650)		50	550		50			
Other (itemize if material)										
Total Transfers Into/(Out of)		(1,122)		52	510		50	170	340	
Net Increase/(Decrease) for the Year		188	25	181	2,099	715	(920)	(120)	7	1,670
Fund Balance—Beginning of Year		455	421	502	11,901	2,505	2,120	380	293	36,540
Fund Balance—End of Year		643	446	683	14,000	3,220	1,200	260	300	38,210

NOTE: There are several possible formats for a Statement of Changes in Fund Balances. Another format is shown in section 5:7 of *Administrative Service* (Washington, D.C.: NACUBO, 1974), pp. 4-5. Although the formats vary, the amounts shown in this illustration are identical to those in *Administrative Service*.

Format

For each fund group, and for subgroups in many cases, the Statement of Changes in Fund Balances shows additions, deductions, transfers, net changes, and beginning and ending fund balances (see figure 3).

Definitions

The following terms are used in the Statement of Changes in Fund Balances.

1. *Additions*. Applies to all funds flowing into a fund group during the reporting period except those funds transferred into a fund group. Additions to the Current Fund are included, whether reported as revenues or not. The terms *additions* and *revenues* are distinct and have quite different meanings in fund accounting. The term *revenues* generally is applied only to the Current Fund and includes (1) all unrestricted monies received for the Current Fund during the reporting period and (2) that portion of restricted funds that is expended during the reporting period, whether or not it was received during the reporting period. Therefore for unrestricted funds, *additions* and *revenues* are the same, whereas for restricted funds, they are different.

The definitions described below for the Additions categories of the Statement of Changes in Fund Balances are quite similar to the definitions given in the next chapter for Current Funds revenues. While they appear to be the same, the reader should be aware that they are different when they are applied to restricted funds in the Current Fund.

- a. *Tuition and Fees*. Includes all tuition and fees assessed (net of refunds) against students for educational purposes. Charges for room, board, and other services rendered by auxiliary enterprises are not included in this category but are shown as Sales and Services of Auxiliary Enterprises. Student fees specifically assessed for debt service or plant expansion in such a manner as to create an obligation equivalent to an externally imposed restriction should be reported as additions to the appropriate Plant Fund subgroup. Such a restriction could be created, for example, when an institution publicly represents that it will use certain fees only for the retirement of certain debt or for the construction of a particular building. If, on the other hand, the governing board retains the right to use such fees at its discretion for other purposes, such fees are not restricted and should be reported as unrestricted Current Funds revenues.
- b. *Governmental Appropriations*. Includes those funds received from, or made available by, governmental sources through legislative acts for current operations. It includes governmental appropriations made from

tax funds and federal revenue-sharing funds and therefore does not include institutional fees and other income reappropriated by the legislature to the institution. Such amounts should be deducted from this category and reported in the appropriate categories.

- c. *Governmental Grants and Contracts.* Includes funds received from, or made available by, government agencies for specific projects or programs, including student aid (excluding BEOGs). Examples are research projects, training programs, training and instructional institutes, and similar activities for which financial support is received under the terms of a governmental grant or contract.
- d. *Private Gifts, Grants, and Contracts.* Includes all amounts received from individuals or nongovernmental organizations. It includes also those monies resulting from the purchase of goods or services from the institution on a contractual basis by individuals or nongovernmental agencies, exclusive of those normally classified as the sales of various educational or support departments. Gifts, bequests, grants, and other receipts restricted in use by outside grantors or agencies should be recorded as additions directly in the appropriate fund group. However, all unrestricted gifts, bequests, and grants should be recorded as unrestricted revenues in the Current Funds group.
- e. *Investment Income.* Includes (1) unrestricted income of Endowment and Similar Funds; (2) restricted income of Endowment and Similar Funds, whether or not the income is expended during the reporting period; and (3) income from funds held in trust by others under irrevocable trusts. This category does not include the net capital gains resulting from the sale of investments (which would be included in Net Realized Gains on Sales of Investments) nor does it include any portion of the gain on investments used for current operations under the total-return concept. While the investments of various funds may be pooled, accounting procedures should provide for an equitable distribution of income among the funds.
- f. *Net Realized Gains on Sales of Investments.* Includes all net additions to particular fund groups resulting from the sale of the assets of the fund group for an amount greater than the carrying value of those assets (either cost or fair market value). Net losses should be shown as deductions. Interfund sales of investments should be recorded in the purchasing fund at fair market value. The difference between the cost or carrying value and fair market value should be accounted for in the selling fund in the same manner as realized gains and losses.

While the investments of various funds may be pooled, accounting procedures should provide a means for determining the equitable share of the participating funds in realized gains or losses in the investments.

- g. *Sales and Services of Educational Activities.* Includes all amounts derived from the sales of goods or services that are produced incidental to the conduct of instruction, research, or public service. For reporting purposes, the type of service takes precedence over the form of the agreement by which those services are rendered. Therefore the incidental revenues of educational departments would be included in this category, even if the sales or services should be performed under the contract. For example, an experiment station creamery may have a contract to deliver milk to a local school, but since the milk is produced *incidentally* to research activities, the monies would be sales and services. Monies derived from the sale of goods and services by auxiliary enterprises and hospitals would not be included in this category.
 - h. *Sales and Services of Auxiliary Enterprises.* Includes all monies generated by the auxiliary operations of the institution. An auxiliary enterprise is an entity that exists to furnish goods or services to students, faculty, or staff and that charges a fee directly related to, although not necessarily equal to, the cost of the service. The general public may be served incidentally by some auxiliary enterprises. Auxiliary enterprises generally include residence halls, food services, intercollegiate athletics (if operated as essentially self-supporting operations), college stores and unions, and so forth.
 - i. *Sales and Services of Hospitals.* Includes all funds directly attributable to the operation of the hospital. It does not therefore include those funds derived from grants, gifts, appropriations, or endowment income restricted to hospital operations.
 - j. *Other.* This category includes all other additions to fund groups not included in one of the categories described above. Additions that are of material proportions should be itemized. This category also includes earnings on the short-term investments of the Current Fund, as well as interest earnings on loan notes credited to the Loan Fund (interest on loans to students is not ordinarily recorded in the Loan Funds group until collected).
2. *Deductions.* Includes all funds flowing out of any of the fund groups during the reporting period, except those funds leaving a fund group as the result of a transfer of funds.
- a. *Current Fund Expenditures.* This category includes all expenditures from both the unrestricted Current Fund and the restricted Current Fund. A more detailed breakdown of this figure is shown in the Statement of Current Funds Revenues, Expenditures, and Other Changes.
 - b. *Loan Cancellations and Write-Offs.* Includes those amounts deducted from the Loan Fund to provide for uncollectible loans.

- c. *Expended for Plant Facilities.* Includes disbursements made from the Unexpended Plant Fund subgroup for newly acquired or constructed plant facilities, as well as disbursements from the Plant Fund—Renewal and Replacement subgroup for renovations to existing plant. If depreciation concepts are used for financial reporting, the provision for depreciation should be reported in the Statement of Changes in Fund Balances in the balance of the Investment in Plant Fund subsection of the Plant Funds group.
- d. *Debt Service.* Includes all deductions from the Retirement of Indebtedness subgroup for the purpose of servicing the institution's debt on its physical plant. Physical-plant obligations are generally the only type of long-term debt most institutions have, although some short-term debt also might be incurred in order to meet current operating needs. However, this category does not include transfers made from one fund group for the purposes of satisfying debt requirements in another group—these would be included in the Transfers section.
- e. *Other.* Includes all other deductions from fund groups not included in one of the categories described above. Any deductions that are material should be itemized. Examples of other deductions include the disposal of physical facilities (a deduction from the Investment in Plant subgroup) and administrative and collection costs in the Loan Fund. Fund-raising expenses should be charged to the principal of Endowment and Similar Funds and included in this category only if they directly relate to the proceeds of a campaign for this purpose.
3. *Transfers.* Includes all flows of funds among the various fund groups during the reporting period. Transfers are self-balancing across the columns of the Statement of Changes in Fund Balances. In other words, every transfer results in an equal addition (shown as a positive figure in the receiving fund-group column) and deduction (shown as a negative figure in parentheses in the donor fund-group column); therefore the net result always will be zero. Transfers from unrestricted Current Funds or Quasi-Endowment Funds to other fund groups should be recorded as permanent transfers, unless there is an expectation of repayment within a reasonable period of time. Transfers from donor-restricted funds to other funds may be improper.
- a. *Mandatory Transfers.* Includes all transfers made to fulfill a binding legal obligation of the institution.
- Debt Service—includes all mandatory provisions made to satisfy debt obligations on academic buildings and auxiliary-enterprise operations.
 - Renewal and Replacement—includes all mandatory provisions made for the renovation of institutional plant.
 - Loan Fund Matching Grant—includes all mandatory transfers of institutional funds to the Loan Fund that are required to match outside gifts or grants, usually from the U.S. government, for loan purposes.

- Other Mandatory Transfers—includes all mandatory transfers not included in one of the above categories. Other mandatory transfers that are material should be itemized.
- b. *Nonmandatory Transfers.* Includes all transfers made from one fund group to another at the discretion of the institution's governing board.
- Distribution of Capital Gains—includes that portion of the capital gains on the institution's investments used by the institution, usually for current operations. Such distributions are in accordance with the total-return concept. A more detailed discussion of this concept is included in chapter 8.
 - Designation of Unrestricted Funds—includes those unrestricted funds designated for a specific purpose by the institution's governing board. Designations of unrestricted funds may involve a nonmandatory transfer of unrestricted Current Funds to other fund groups, such as to Quasi-Endowment Funds to act as endowment until some other purpose is determined to be more suitable, to Loan Funds to supplement governmental appropriations for loan funds, or to Plant Funds for expansion or rehabilitation or debt retirement. Although designations of unrestricted funds usually involve unrestricted funds of the Current Fund, the governing board may elect to return any balances of designated funds appearing in other funds to unrestricted Current Funds or to redesignate funds previously designated for one purpose to serve a second purpose and may make the transfer accordingly.
 - Other Nonmandatory Transfers—includes all nonmandatory transfers not included in one of the above categories. Other nonmandatory transfers will often be itemized when of material importance.
4. *Summary Data.* The final section of the Statement of Changes in Fund Balances summarizes the results of all of the flows into, out of, and among the various funds for each fund group. These figures can be related directly to those shown for each fund group in the Balance Sheet.
- a. *Net Increase/(Decrease) for the Year.* Includes the net increase (shown as a positive figure) or decrease (shown as a negative figure in parentheses) of the fund balance for each fund group. The figure shown in this category is determined for each fund group by adding the figures for *Total Additions* and net *Transfers Into* and subtracting the figures for *Total Deductions* and net *Transfers Out Of*.
- b. *Fund Balance—Beginning of Year.* The total of the fund balance *prior* to any of the additions, deductions, and transfers described in the statement for that fund group.
- c. *Fund Balance—End of Year.* The total for the fund balance *after* all of the additions, deductions, and transfers described in the statement. It is determined by adding (or subtracting) the *Net Increase/(Decrease) for the Year* and *Fund Balance—Beginning of Year*.

Statement of Current Funds Revenues, Expenditures, and Other Changes

Description

The Statement of Current Funds Revenues, Expenditures, and Other Changes provides the same basic kind of information as the Statement of Changes in Fund Balances, but in considerably more detail and only for the Current Funds group. Basically, this statement focuses on the financial activity of the Current Fund by describing the flow of resources into and out of this fund group. This fund group usually constitutes the bulk of financial activity of institutions (although in many institutions, other fund groups may contain more resources). The Current Fund also focuses on the institution's day-to-day activities and (with the Plant Fund) is the major concern of public funders. For these reasons, additional detail for the Current Fund has typically been recommended by generally accepted accounting principles for inclusion in financial statements. Although this kind of detail can be provided for other fund groups (and many institutions do so with supplementary financial statements), only the Current Fund statement is typically included as one of the three basic financial reports.

While the Statement of Current Funds Revenues, Expenditures, and Other Changes provides the same *basic* kind of information (albeit in more detail) as the Statement of Changes in Fund Balances, there are distinctions between the two statements. The most important of these is that while the Statement of Changes in Fund Balances reports additions and deductions, the Statement of Current Funds Revenues, Expenditures, and Other Changes reports revenues and expenditures.

Sample Educational Institution

FIGURE 4

STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES, AND OTHER CHANGES

Year Ended June 30, 19____

	Current Year			Prior Year Total
	Unrestricted	Restricted	Total	
Revenues				
Tuition and Fees	\$2,600,000		\$2,600,000	\$2,300,000
Governmental Appropriations—Federal	500,000		500,000	500,000
Governmental Appropriations—State	700,000		700,000	700,000
Governmental Appropriations—Local	100,000		100,000	100,000
Governmental Grants and Contracts—Federal	20,000	\$ 375,000	395,000	350,000
Governmental Grants and Contracts—State	10,000	25,000	35,000	200,000
Governmental Grants and Contracts—Local	5,000	25,000	30,000	45,000
Private Gifts, Grants, and Contracts	850,000	380,000	1,230,000	1,190,000
Endowment Income	325,000	209,000	534,000	500,000
Sales and Services of Educational Activities	190,000		190,000	195,000
Sales and Services of Auxiliary Enterprises	2,200,000		2,200,000	2,100,000
Other Sources (if any)	40,000		40,000	
Total Current Revenues	7,540,000	1,014,000	8,554,000	8,180,000
Expenditures and Mandatory Transfers				
Educational and General				
Instruction	2,960,000	489,000	3,449,000	3,300,000
Research	100,000	400,000	500,000	650,000
Public Service	130,000	25,000	155,000	175,000
Academic Support	250,000		250,000	225,000
Student Services	200,000		200,000	195,000
Institutional Support	450,000		450,000	445,000
Operation and Maintenance of Plant	220,000		220,000	200,000
Scholarships and Fellowships	90,000	100,000	190,000	180,000
Educational and General Expenditures	4,400,000	1,014,000	5,414,000	5,370,000
Mandatory Transfers for:				
Provision for Debt on Educational Plant	190,000		190,000	130,000
Loan Fund Matching Grants	2,000		2,000	
Total Educational and General	4,592,000	1,014,000	5,606,000	5,500,000
Auxiliary Enterprises				
Expenditures	1,830,000		1,830,000	1,730,000
Mandatory Transfers/Auxiliary Enterprises	320,000		320,000	320,000
Total Auxiliary Enterprises	2,150,000		2,150,000	2,050,000
Total Expenditures and Mandatory Transfers	6,742,000	1,014,000	7,756,000	7,550,000
Other Transfers and Additions/(Deductions)				
Excess of Restricted Receipts over Transfers to Revenues		45,000	45,000	40,000
Refunded to Grantors		(20,000)	(20,000)	
Unrestricted Gifts Allocated to Other Funds	(650,000)		(650,000)	(510,000)
Portion of Quasi-Endowment Gains Appropriated	40,000		40,000	
Net Increase in Fund Balances	188,000	25,000	213,000	160,000

NOTE: There are several possible formats for a Statement of Current Funds Revenues, Expenditures, and Other Changes. Another format is shown in section 5:7 of *Administrative Service* (Washington, D.C.: NACUBO, 1974), pp. 6-7. Although the formats vary, the amounts shown in this illustration are identical to those in the *Administrative Service*.

While this distinction may seem to be semantic, the principles of postsecondary-education fund accounting make it important.

The difference between additions and revenues occurs in the restricted fund area. When restricted monies are received by the institution (that is, when the cash is in hand), they are reported as additions to the fund balance in the appropriate fund group. Under the principles of accrual accounting, however, revenues are not reported until they are earned (that is, until the money is spent for the specified purpose). This distinction causes revenue reporting to lag behind addition reporting. If the lag occurs over the boundary of a fiscal period, the figures for revenues and additions will differ. This distinction does not occur in the unrestricted funds, since they are available for use (that is, are reported as revenue) as soon as they are added to the fund balances. The remainder of the information reported in the Statement of Current Funds Revenues, Expenditures, and Other Changes is equivalent to that of the Statement of Changes in Fund Balances, although more detailed.

Format

The Statement of Current Funds Revenues, Expenditures, and Other Changes shows revenues by source and restriction categories, and expenditures by use and restriction categories. Although the Statement of Current Funds Revenues, Expenditures, and Other Changes shown in figure 4 uses only two restriction categories (Unrestricted and Restricted), some institutions further subdivide the Unrestricted column into Undesignated and Designated funds. The revenue, expenditure, and mandatory transfer categories used in figure 4 are the standard *HEFM* revenue categories recommended by generally accepted accounting principles. The other transfers and additions/(deductions) are generally specific to the institution, and therefore the categories used in figure 4 are illustrative only. Many institutions support the Statement of Current Funds Revenues, Expenditures, and Other Changes with more detailed schedules than shown in figure 4 by showing expenditures by subfunction (such as libraries), organizational unit (such as College of Arts and Sciences), or object of expenditure (such as faculty salaries). This additional detail does not, however, change the basic format or principles of the Statement of Current Funds Revenues, Expenditures, and Other Changes.

Definitions

The following terms are used in the Statement of Current Funds Revenues, Expenditures, and Other Changes.

1. *Revenues.* Current Funds revenues include (1) all unrestricted gifts and other unrestricted resources earned during the reporting period and (2) restricted current funds to the extent that such funds were expended for current operating purposes. Current Funds revenues do not include restricted current funds received but not expended, nor resources that are restricted by the donors to Loan Funds, Endowment or Term Endowment Funds, Annuity and Life Income Funds, or Plant Funds. For reporting purposes, Current Funds revenues should be classified by source. The following categories are recommended for such purposes:

- Tuition and Fees
- Governmental Appropriations—Federal
- Governmental Appropriations—State
- Governmental Appropriations—Local
- Governmental Grants and Contracts—Federal
- Governmental Grants and Contracts—State
- Governmental Grants and Contracts—Local
- Private Gifts, Grants, and Contracts
- Endowment Income
- Sales and Services of Educational Activities
- Sales and Services of Auxiliary Enterprises
- Sales and Services of Hospitals
- Other Sources
- Independent Operations

For definitions of these revenue categories, see chapter 5.

2. *Expenditures and Mandatory Transfers.* Current Funds expenditures and mandatory transfers comprise: (1) all expenses incurred in the Current Fund, determined in accordance with the generally accepted accrual method of accounting, except for depreciation; (2) expenditures from Current Funds for renewals and replacements of, as well as additions to, equipment; and (3) amounts transferred to Plant Funds as required for debt service (including principal, interest, mandatory provisions for renewals, and replacement of facilities) and mandatory transfers to Loan Funds to provide required matching funds for student loans.

Current Funds expenditures include those of both unrestricted and restricted Current Funds. Current Funds expenditures should be reported by function for the institution as a whole (although for accounting and internal reporting, the accounts may be maintained by major organizational

units). All objects of expenditure such as personal services, consumable supplies and materials, other services, and other costs of operations, including expenditures for replacement of equipment and refurbishing and renewal of equipment, may be included within each of the functional classifications if appropriate. If desired, expenditures may be summarized by object in a subsidiary schedule. The following functional categories are recommended for the reporting of expenditures and mandatory transfers. Definitions for all of the expenditure categories shown below are outlined in chapter 6, Expenditure and Mandatory Transfers.

a. *Educational and General Expenditures.* Educational and General Current Funds expenditures should be subdivided into the following functional classifications:

- Instruction
- Research
- Public Service
- Academic Support
- Student Services
- Institutional Support
- Operation and Maintenance of Plant
- Scholarships and Fellowships

b. *Educational and General Mandatory Transfers.* Mandatory transfers related to any purpose other than auxiliary enterprises, teaching hospitals, or independent operations should be classified as Educational and General Mandatory Transfers and separately identified from Educational and General expenditures. The following categories should be used in classifying these mandatory transfers:

- Provision for Debt Service on Educational Plant
- Loan Fund Matching Grants
- Other Mandatory Transfers

c. *Auxiliary Enterprise Expenditures and Mandatory Transfers.* Includes all expenditure and mandatory transfers relating to the operation of auxiliary enterprises, including expenditures for operation and maintenance of plant and for institutional support. Also included are other direct and indirect costs, whether charged directly as expenditures or allocated as a proportionate share of costs of other departments or units. The following categories should be used for classifying expenditures and mandatory transfers for auxiliary enterprises:

- Auxiliary Enterprises—Student
- Auxiliary Enterprises—Faculty/Staff
- Intercollegiate Athletics
- Mandatory Transfers/Auxiliary Enterprises

- d. *Hospital Expenditures and Mandatory Transfers.* Includes all expenditures and mandatory transfers associated with the patient-care operations of the teaching hospital, including nursing and other professional services, general services, administrative services, fiscal services, and charges for physical-plant operations and institutional support. Also included are other direct and indirect costs, whether charged directly as expenditures or allocated as a proportionate share of costs of other departments or units. The following categories should be used for classifying expenditures and mandatory transfers for hospitals:
- Direct Patient Care
 - Health Care Supportive Services
 - Administration of Hospitals
 - Physical Plant Operations for Hospitals
 - Mandatory Transfers/Hospitals
- e. *Independent Operations Expenditures and Mandatory Transfers.* Includes expenditures and mandatory transfers for those operations that are independent of, or related to, but that may enhance the primary mission of the institution. This category is generally limited to expenditures associated with major federally funded research laboratories. It excludes expenditures associated with property owned and managed as investments of the institution's endowment funds. The following categories should be used for classifying expenditures for independent operations:
- Independent Operations/Institutional
 - Independent Operations/FFRDCs
- f. *Nonmandatory Transfers—Unrestricted Current Funds.* Other transfers of a nonmandatory nature (as distinguished, for example, from mandatory transfers for debt service) represent allocations of unrestricted resources between fund groups that are not required by agreements with either external agencies or persons. Such transfers include (1) nonmandatory additions to Loan Funds, (2) additions to Quasi-Endowment Funds, and (3) nonmandatory transfers to Plant Funds.
3. *Other Transfers and Additions/(Deductions).* Any financial activity of a fund group that does not fit one of the above categories. For example, excess of restricted receipts over transfers to revenues, nonmandatory transfers, and refunds to grantors are included.

Revenues and Transfers In

This chapter contains standard categories for reporting revenues. These revenues categories were developed by the Joint Accounting Group (consisting of representatives of the National Center for Higher Education Management Systems, the National Association of College and University Business Officers, and the American Institute of Certified Public Accountants) and are part of generally accepted accounting principles for higher education. Identical revenues categories are included in:

1. *Audits of Colleges and Universities* (1973), as amended by "Statement of Position 74-8" (1974), by the American Institute of Certified Public Accountants.
2. *College and University Business Administration* (1974), by the National Association of College and University Business Officers.

TUITION AND FEES

Tuition and Fees includes all tuition and fees assessed (net of refunds) against students for current operating purposes. Tuition and fees remissions or exemptions should be assessed and reported as revenue, even though there is no intention of collecting from the student. An amount equal to such remissions or exemptions should be reflected as expenditures and classified in the category Scholarships and Fellowships (if that is the purpose of the exemption) or classified as staff benefits in the appropriate expenditure category (if the exemption is made in compliance

with a formalized policy granting exemptions to relatives of the institution's staff or the staff itself).

If tuition and/or fees are remitted to the state as an offset to the state appropriation, the amount of tuition and fees should be deducted from the total for state appropriations and added to the total for tuition and fees.

If the assignment of student fees to debt service, renewals and replacements, or Unexpended Plant Funds is an administrative action only or is subject to change by the governing board, then such fees should be reported as unrestricted Current Funds revenues and included in this category. Pledged revenue under bond-indenture agreements should not be reported as additions to Plant Funds but should be reported as unrestricted Current Funds revenues. Monies from fees on which there are binding external restrictions because they have been specifically assessed for debt service on institutional plant or for renewals and replacements of plant or for expansion of facilities should not be reported under this classification but should be reported as direct additions to Plant Funds, since such fees are not legally available for current operations.

Revenues from tuition and fees for an academic term, such as a summer session, conducted over a fiscal year-end should be reported totally within the fiscal year in which the program is predominantly conducted. The revenues and expenditures for any summer session should be reported in the same fiscal year. This procedure for reporting the revenues of summer sessions is an allowable exception to reporting revenues on an accrual basis. All other revenues should be reported when earned.

Charges for room, board, and other services rendered by auxiliary enterprises are not included in this category but should be classified as Sales and Services of Auxiliary Enterprises. If an all-inclusive fee for tuition, room, and board is charged, a reasonable allocation should be made between the categories Tuition and Fees and Sales and Services of Auxiliary Enterprises.

Fees for student health services that are operated as a service to the student body rather than as an auxiliary enterprise would be included in Tuition and Fees.

GOVERNMENTAL APPROPRIATIONS—FEDERAL

GOVERNMENTAL APPROPRIATIONS—STATE

GOVERNMENTAL APPROPRIATIONS—LOCAL

Governmental appropriations include those monies received from or made available to an institution through acts of a legislative body. They do not include governmental grants or contracts. These three categories include all such unrestricted appropriations and all restricted appropriations to the extent expended for current operations.

Funds disbursed for the account of the institution by a governmental agency, such as payments into a state retirement system on behalf of the institution, would be included in these categories.

These categories include only governmental appropriations made from tax levy funds, including those taxes levied directly by the institution under authority granted by the legislature or constitution, federal land-grant appropriations, and federal revenue-sharing funds. They do not include institutional fees and other income reappropriated by the legislature to the institution. Tuition and fees collected by the institution and returned to the institution in the form of appropriations (that is, reappropriated tuition and fees) would have to be subtracted, as they already appear as tuition and fees.

Governmental appropriations should be categorized by the governmental level (federal, state, or local) of the legislative body funding the appropriation. The following criterion should be used in determining which legislative level the funder is:

The funder level is the same as the level of that agency making the decision that the monies will be appropriated for the particular purpose for which they are ultimately expended.

For example, if the federal government stipulates a specific use for particular monies and those monies subsequently are only administered by the state, the funds would be classified as federal monies. However, if the federal government distributes funds to the state for unspecified general purposes (for example, general revenue sharing) and the state then appropriates all or a portion of those monies to the institution, the funds received by the institution should be classified as state monies rather than federal monies.

The determination of whether a particular governmental appropriation should be classified as restricted or unrestricted funds should be based upon the ability of the institution to effect a change in the intended use of the funds during the reporting period, should circumstances require. If a change in the intended use of the funds can be made without having to go through the legislative process, the funds should be considered unrestricted. State general-fund appropriations should be considered unrestricted funds, unless the legislature places restrictions on their use so specific that they substantially reduce the institution's flexibility in its financial operations. Where an intermediate group exists, if a change in restrictions needs to be made and it can be made by the intermediate body without having to go back through the legislative process, the funds appropriated should be considered unrestricted.

GOVERNMENTAL GRANTS AND CONTRACTS—FEDERAL
GOVERNMENTAL GRANTS AND CONTRACTS—STATE
GOVERNMENTAL GRANTS AND CONTRACTS—LOCAL

Governmental grants and contracts include revenues from governmental agencies that are received or made available for specific projects or programs. It is assumed that in the case of a grant or contract, the legislative body makes

appropriations to a governmental agency, which in turn enters into contracts with, or makes grants to, individual institutions. Examples are research projects, training programs, and similar activities for which amounts are received or expenditures are reimbursable under the terms of a governmental grant or contract.

Governmental grants and contracts should be categorized by the governmental level (federal, state, or local) of the agency providing the funds to the institution. The following criterion should be used in determining which governmental *level* should be considered the funder:

The funder level is the same as the level of that agency that makes the decision that the contract will be entered into with, or the grant made to, the institution for the particular purpose for which it is ultimately transacted.

For example, if a federal agency stipulates a specific use for particular monies and those monies are only administered by state agencies, the funds would be classified as federal monies.

Amounts equal to direct costs incurred should be recorded as charges against current restricted funds and reported as restricted Current Funds revenues. Related indirect costs covered should be reported as unrestricted revenues.

PRIVATE GIFTS, GRANTS, AND CONTRACTS

Private Gifts, Grants, and Contracts includes amounts from individuals or nongovernmental organizations. The funds included in this category are of two types: (1) private gifts and grants and (2) private contracts. Private gifts and grants include those monies received from private donors for which no legal considerations are involved (that is, no specific goods or services must be provided to the donor in return for the monies). Private contracts include those monies received for which specific goods and services must be provided to the funder as stipulation for receipt of the funds. This category includes all unrestricted gifts, grants, and bequests as well as all restricted gifts, grants, and contracts to the extent that the monies are expended for current operations. Monies received as a result of gifts, grants, or contracts from a foreign government would be included in this category.

Only those revenues derived from the provision of goods or services directly related to instruction, research, or public service are included in the category Private Gifts, Grants, and Contracts. Revenues derived from the sale of goods or services incidental to the conduct of instruction, research, or public service should be shown as Sales and Services of Educational Activities.

Income from funds held in revocable trusts or distributable by direction of the trustees of such trusts should be reported under this classification. This category does not include revenues derived from contracts for activities not related to the primary missions of the institution (for example, land rental and utility services).

Amounts equal to direct cost incurred should be recorded as charges against current restricted funds and reported as restricted Current Funds revenues. Related indirect costs recovered should be reported as unrestricted revenues.

When the performance of donated services is significant for an institution, the value of donated services should be included in this category. The value should be determined by relating such services to equivalent salaries and wages (including the normal staff benefits, such as group insurance and retirement benefits) for similarly ranked personnel in the same institution or similar institutions. This gross amount should be reduced by the amount of maintenance, living costs, and personal expenses whenever such expenses are incurred on behalf of the contributing personnel (such as in institutions operated by religious groups). An imputed value for donated services should be recorded in this category only under the following circumstances:

1. The amount of such donated services is significant when compared to the total revenues for the reporting entity
2. The services performed are a normal part of the institution's programs or supporting services and would otherwise be performed by salaried personnel
3. The institution exercises control over the employment and duties of the donors of the services
4. The institution has a clearly measurable basis for determining the value of such services

In reporting a figure for Private Gifts, Grants, and Contracts, that portion of the total that is an amount imputed to donated services should be clearly identified and appropriately noted in the financial statements of the institution.

ENDOWMENT INCOME

Endowment Income includes the following: (1) unrestricted income of Endowment and Similar Funds, (2) restricted income of Endowment and Similar Funds to the extent expended for current operations, and (3) income from funds held in trust by others under irrevocable trusts. The unrestricted income from Endowment and Similar Funds credited to revenues should be the total ordinary income earned (or yield) on the investments of these funds.

Income from investments of Endowment and Similar Funds does not include capital gains and losses, since such gains and losses are accounted for in the Endowment and Similar Funds group. If a portion of the gains of endowment or quasi-endowment funds investments is utilized for current operations, the portion so utilized should be reported as a transfer rather than as revenues.

Income from funds held in trust by others under irrevocable trusts should be separately identified under this heading.

SALES AND SERVICES OF EDUCATIONAL ACTIVITIES

Sales and Services of Educational Activities includes revenues derived from the sale of goods or services that are produced incidental to the conduct of instruction, research, or public service. Examples of such revenues are film rentals, scientific and literary publications, testing services, university presses, and dairy products. For revenue reporting purposes, the type of service rendered takes precedence over the form of the agreement by which those services are rendered. Therefore the incidental revenues of educational departments would not be included in the category Private Gifts, Grants, and Contracts, even if they should be performed under contract.

If service to the students rather than training and instruction is the primary purpose of the activities that create the revenue, they should be classified as Sales and Services of Auxiliary Enterprises.

Sales and Services of Educational Activities does not include the revenues generated by hospitals operated by the institution. These revenues should be classified as Sales and Services of Hospitals. However, revenues derived from health clinics that are not part of a hospital, excluding those that are part of the student health services program, should be reported in this category.

SALES AND SERVICES OF AUXILIARY ENTERPRISES

Sales and Services of Auxiliary Enterprises includes all revenues generated by the auxiliary-enterprises operations of the institution. An auxiliary enterprise is an entity that exists to furnish goods or services to students, faculty, or staff and that charges a fee that is directly related to, although not necessarily equal to, the cost of the service. The general public may be served incidentally by some auxiliary enterprises. Auxiliary enterprises include residence halls, food services, student health services, intercollegiate athletics (if operated as essentially self-supporting operations), college unions, college stores, and other services, such as barber shops, movie houses, and so forth.

This category does not include revenues received in the form of grants, gifts, or endowment income restricted for auxiliary enterprises but is limited to monies derived directly from the operation of the auxiliary enterprises themselves.

SALES AND SERVICES OF HOSPITALS

Sales and Services of Hospitals includes the revenues (net of discounts, allowances, and provision for doubtful accounts) of a hospital operated by the institution. It includes revenues from daily patient services (medical, surgical, pediatric, intensive care, and so forth), revenues from nursing services (operating room, recovery room, and so forth), and revenues from other professional services (laboratory, blood bank, and so forth). It does not include revenues for research

and other grants, gifts, appropriations, or endowment income restricted for hospital operations but is limited to monies that are directly attributable to the operation of the hospital. Revenues of health clinics that are part of the hospital should be included in this category, unless such clinics are part of the student health services program.

OTHER SOURCES

Other Sources includes all items of revenue not covered elsewhere. Examples are interest income and gains (net of losses) from investments of unrestricted Current Funds. This category also includes revenues resulting from the sales and services of internal service departments to persons or agencies external to the institution (such as miscellaneous rentals and the sale of computer time).

INDEPENDENT OPERATIONS

Independent Operations includes all revenues associated with operations independent of or related to the primary missions of the institution (instruction, research, public service), although they may indirectly contribute to the enhancement of these programs. This category generally includes only those revenues associated with major federally funded research laboratories. Such revenues include not only those derived from sales and services of such operations but also other revenues for research and other grants, gifts, or appropriations restricted to these operations. This category does not include the net profit (or loss) from operations owned and managed as investments of the institution's endowment funds.

TRANSFERS IN

Funds may be transferred *into* the Current Fund as well as out of it. *Transfers In* do not represent *new* resources for the institution, but they often represent resources that are available for the first time due to the expiration of an agreement that they will not be used prior to a certain date or subsequent to the happening of a particular event.

The following are examples of Transfers In:

- *Expired Term Endowment*—Funds that are transferred by the Current Fund from the Term Endowment Funds. A term endowment stipulates that the principal must be kept intact, except that upon the passage of a stated period of time or the happening of a particular event, all or part of the principal may be expended. In this case, the conditions of the term-endowment agreement are met, and the funds are transferred into the Current Fund and are available for use.

- *Termination of Annuity Agreement*—Upon the termination of an annuity agreement, the principal of the annuity fund is transferred to the fund group specified by the originator or, in the absence of such a restriction, to unrestricted Current Funds revenues.
- *Gains Utilized on Endowment*—Under the total-return concept of reporting endowment earnings, a portion of the gains of endowment or quasi-endowment funds investments may be utilized for current operations. The portion that is utilized is reported as a *transfer in* rather than as a Current Fund revenue.
- *Redesignation of Funds*—Unrestricted funds that previously have been designated by the governing board for use in one of the other fund groups (and not expended) may be redesignated for use in the Current Fund. Such a redesignation of funds should be reported as a *transfer in*.

Expenditures and Mandatory Transfers

This chapter contains (1) refined and expanded definitions of the standard expenditure categories such as instruction, research, and public service, and (2) a detailed look-up table for assigning activities, organizational units, and items of expenditure to appropriate subcategories. The category definitions are consistent with earlier publications based on the Joint Accounting Group (JAG) Guidelines, namely:

1. *Audits of Colleges and Universities* (1973), as amended by "Statement of Position 74-8" (1974), by the American Institute of Certified Public Accountants (AICPA).
2. *College and University Business Administration* (1974), by the National Association of College and University Business Officers (NACUBO).
3. *Higher Education Finance Manual* (1975), by the National Center for Higher Education Management Systems (NCHEMS).

NACUBO and NCHEMS recommend the following:

1. If any postsecondary education institution or agency collects or reports institutional expenditure data at a level below the category level (instruction, research, public service, etc.), then the subcategories and related definitions herein should be used.

NOTE: This chapter is identical to chapter 7 of *Administrative Service*, supplement 5:2:1 (NACUBO 1978).

2. If an activity look-up table is referred to by any postsecondary education institution or agency for guidance in classifying institutional expenditure data, then the look-up table herein should be used.

The reasons for documenting these definitions and the look-up table are that there have been no standard subcategories and reference tables (although the original *Higher Education Finance Manual* did present subcategory definitions that were recommended when that publication was issued). That is, subcategories have been created independently or by using the NCHEMS Program Classification Structure (PCS) to provide surrogate subcategories, and there are many look-up tables, probably no two of which are the same. The purpose of these recommendations, therefore, is to standardize the subcategory definitions and the look-up table for use by all postsecondary education institutions and agencies.

Expenditure Categories

INSTRUCTION

This category should include expenditures for all activities that are part of an institution's instruction program. Expenditures for credit and noncredit courses, for academic, vocational, and technical instruction, for remedial and tutorial instruction, and for regular, special, and extension sessions should be included.

Expenditures for departmental research and public service that are not separately budgeted should be included in this classification. This category *excludes* expenditures for academic administration when the primary assignment is administration—for example, academic deans. However, expenditures for department chairmen, in which instruction is still an important role of the administrator, are included in this category.

This category includes the following subcategories:

General Academic Instruction. Includes expenditures for formally organized and/or separately budgeted instructional activities that are: (1) carried out during the academic year (as defined by the institution), (2) associated with academic offerings described by HEGIS discipline categories 0100 through 4900, and (3) offered for credit as part of a formal postsecondary education degree or certificate program. Open university, short courses, and home study activities falling within these HEGIS categories and offered for credit would therefore be included. However, this subcategory does *not* include instructional offerings that are part of programs leading toward degrees or certificates at levels below the higher education level, such as adult basic education.

Vocational/Technical Instruction. Includes expenditures for formally organized and/or separately budgeted instructional activities that are: (1) carried out during the academic year (as defined by the institution), (2) usually associated with

HEGIS discipline categories 5000 through 5500, and (3) offered for credit as part of a formal postsecondary-education degree or certificate program. Open university, short courses, and home study falling within these HEGIS categories and offered for credit would therefore be included. However, this subcategory does *not* include instructional offerings that are part of programs leading toward degrees or certificates at levels below the higher education level, such as adult basic education.

Special Session Instruction. Includes expenditures for formally organized and/or separately budgeted instructional activities (offered either for credit or not for credit) that are carried out during a summer session, interim session, or other period not common with the institution's regular term. This subcategory is to be used to classify expenditures made *solely* as a result of conducting a special session (such as faculty salaries associated with the special session). Special sessions would *not* include regular academic terms held during the summer months. Expenditures for special sessions conducted over a fiscal year-end should be reported totally within the fiscal year in which the program is predominantly conducted. The revenues and expenditures for any special session should be reported in the same fiscal year. This procedure for reporting expenditures of special sessions is an allowable exception to reporting expenditures on an accrual basis.

Community Education. Includes expenditures formally organized and/or separately budgeted instructional activities that do not generally result in credit toward any formal postsecondary degree or certificate. It includes noncredit instructional offerings carried out by the institution's extension division as well as noncredit offerings that are part of the adult education or continuing education program. This subcategory also includes expenditures for activities associated with programs leading toward a degree or certificate at a level below the higher education level, such as adult basic education.

Preparatory/Remedial Instruction. Includes expenditures for formally organized and/or separately budgeted instructional activities that give students the basic knowledge and skills required by the institution before they can undertake formal academic coursework leading to a postsecondary degree or certificate. Such activities, supplemental to the normal academic program, generally are termed preparatory, remedial, developmental, or special educational services. These instructional offerings may be taken prior to or along with the coursework leading to the degree or certificate. They are generally noncredit offerings, although in some cases credit may be given and credit requirements for the degree or certificate increased accordingly. Only offerings provided *specifically* for required preparatory or remedial skills or knowledge should be included in this category. For example, if students may satisfy preparatory requirements by taking offerings provided primarily for other than remedial or preparatory purposes, those offerings should be classified appropriately elsewhere.

RESEARCH

This category should include all expenditures for activities specifically organized to produce research outcomes, whether commissioned by an agency external to the institution or separately budgeted by an organizational unit within the institution. Subject to these conditions, it excludes expenditures for individual and/or project research as well as those of institutes and research centers. This category does not include all sponsored programs (training grants are an example) nor is it necessarily limited to sponsored research, since internally supported research programs, if separately budgeted, might be included in this category under the circumstances described above. Expenditures for departmental research that are separately budgeted specifically for research are included in this category.

This category includes the following subcategories:

Institutes and Research Centers. Includes expenditures for research activities that are part of a formal research organization created to manage a number of research efforts. While this subcategory includes agricultural experiment stations, it does *not* include the twenty federally funded research and development centers, which should be classified as independent operations. (These centers are listed in the section "Independent Operations.")

Individual and Project Research. Includes expenditures for research activities that normally are managed within academic departments. Such activities may have been undertaken as the result of a research contract or grant or through a specific allocation of the institution's general resources.

PUBLIC SERVICE

This category should include funds expended for activities that are established primarily to provide noninstructional services beneficial to individuals and groups external to the institution. These activities include community service programs (excluding instructional activities) and cooperative extension services. Included in this category are conferences, institutes, general advisory services, reference bureaus, radio and television, consulting, and similar noninstructional services to particular sectors of the community.

This category includes the following subcategories:

Community Service. Includes expenditures for activities organized and carried out to provide general community services, *excluding* instructional activities. Community service activities make available to the public various resources and special capabilities that exist within the institution. Examples include conferences and institutes, general advisory services and reference bureaus, consultation, testing services (e.g., soil testing, carbon dating, structural testing), and similar activities. The activities included in this subcategory are generally sponsored and managed outside the context of both the agricultural and urban extension programs and of the institution's public broadcasting operation.

Cooperative Extension Service. Includes expenditures for noninstructional public service activities established as the result of cooperative extension efforts between the institution and outside agencies such as the U.S. Department of Agriculture's extension service and the affiliated state extension services. This subcategory is intended primarily for land-grant colleges and universities and includes both agricultural extension and urban extension services. The distinguishing feature of activities in this subcategory is that programmatic and fiscal control is shared by the institution with the U.S. Department of Agriculture's extension service, the related state extension services, and agencies of local government.

Public Broadcasting Services. Includes expenditures for operation and maintenance of broadcasting services operated outside the context of the institution's instruction, research, and academic support programs. Thus *excluded* from this subcategory are broadcasting services conducted primarily in support of instruction (which should be classified in the subcategory "Ancillary Support"), broadcasting services that are primarily operated as a student service activity (which should be classified in the subcategory "Social and Cultural Development"), and broadcasting services that are independent operations (which should be classified in the subcategory "Independent Operations/Institutional").

ACADEMIC SUPPORT

This category should include funds expended primarily to provide support services for the institution's primary missions—instruction, research, and public service. It includes: (1) the retention, preservation, and display of educational materials—for example, libraries, museums, and galleries; (2) the provision of services that directly assist the academic functions of the institution, such as demonstration schools associated with a department, school, or college of education; (3) media such as audiovisual services and technology such as computing support; (4) academic administration (including academic deans but not department chairpersons) and personnel development providing administration support and management direction to the three primary missions; and (5) separately budgeted support for course and curriculum development. For institutions that currently charge certain of the expenditures—for example, computing support—directly to the various operating units of the institution, such expenditures are not reflected in this category.

This category includes the following subcategories:

Libraries. Includes expenditures for organized activities that directly support the operation of a catalogued or otherwise classified collection.

Museums and Galleries. Includes expenditures for organized activities that provide for the collection, preservation, and exhibition of historical materials, art objects, scientific displays, etc. Libraries are *excluded*.

Educational Media Services. Includes expenditures for organized activities providing audiovisual and other services that aid in the transmission of information in support of the institution's instruction, research, and public service programs.

Academic Computing Support. Includes expenditures for formally organized and/or budgeted activities that provide computing support to the three primary programs. *Excluded* from this category is administrative data processing, which is classified as institutional support.

Ancillary Support. Includes expenditures for organized activities that provide support services to the three primary programs but that are not appropriately classified in the previous subcategories. Ancillary support activities usually provide a mechanism through which students can gain practical experience. An example of ancillary support is a demonstration school associated with the School of Education. However, the expenditures of teaching hospitals are *excluded*.

Academic Administration. Includes expenditures for activities specifically designed and carried out to provide administrative and management support to the academic programs. This subcategory is intended to separately identify only expenditures for activities formally organized and/or separately budgeted for academic administration. It includes the expenditures of academic deans (including deans of research, deans of graduate schools, and college deans), but does not include the expenditures of departmental chairmen (which are included in the appropriate primary function categories). It also includes expenditures for formally organized and/or separately budgeted academic advising. Expenditures associated with the office of the chief academic officer of the institution are *not* included in this subcategory but should be classified as institutional support.

Academic Personnel Development. Includes expenditures for activities that provide the faculty with opportunities for personal and professional growth and development to the extent that such activities are formally organized and/or separately budgeted. This subcategory also includes formally organized and/or separately budgeted activities that evaluate and reward professional performance of the faculty. Included in this subcategory are sabbaticals, faculty awards, and organized-faculty-development programs.

Course and Curriculum Development. Includes expenditures for activities established either to significantly improve or to add to the institution's instructional offerings, but only to the extent that such activities are formally organized and/or separately budgeted.

STUDENT SERVICES

This category should include funds expended for offices of admissions and registrar and those activities whose primary purpose is to contribute to the student's emotional and physical well-being and to his or her intellectual, cultural, and social development outside the context of the formal instruction program. It includes expenditures for student activities, cultural events, student newspaper, intramural

athletics, student organizations, intercollegiate athletics (if the program is operated as an integral part of the Department of Physical Education and not as an essentially self-supporting activity), counseling and career guidance (excluding informal academic counseling by the faculty), student aid administration, and student health service (if not operated as an essentially self-supporting activity).

This category includes the following subcategories:

Student Services Administration. Includes expenditures for organized administrative activities that provide assistance and support (*excluding* academic support) to the needs and interests of students. This subcategory includes only administrative activities that support more than one subcategory of student activities and/or that provide central administrative services related to the various student service activities. In particular, this subcategory includes services provided for particular *types* of students (e.g., minority students, veterans, and handicapped students). *Excluded* from this subcategory are activities of the institution's chief administrative officer for student affairs, whose activities are institutionwide and, therefore, should be appropriately classified as institutional support.

Social and Cultural Development. Includes expenditures for organized activities that provide for the students' social and cultural development outside the formal academic program. This subcategory includes cultural events, student newspapers, intramural athletics, student organizations, etc. Expenditures for an intercollegiate athletics program would be included in this subcategory if the program is not operated as an essentially self-supporting operation (in which case the related expenditures would be reported as auxiliary enterprises).

Counseling and Career Guidance. Includes expenditures for formally organized placement, career guidance, and personal counseling services for students. This subcategory includes vocational testing and counseling services and activities of the placement office. *Excluded* from this subcategory are formal academic counseling services (instruction) provided by the faculty in relation to course assignments.

Financial Aid Administration. Includes expenditures for activities that provide financial aid services and assistance to students. This subcategory does *not* include outright grants to students, which should be classified as scholarships and fellowships.

Student Admissions. Includes expenditures for activities related to (1) the identification of prospective students, (2) the promotion of attendance at the institution, and (3) the processing of applications for admission.

Student Records. Includes expenditures for activities to maintain, handle, and update records for currently enrolled students as well as for students who were previously enrolled.

Student Health Services. Includes expenditures for organized student health services that are not self-supporting rather than those organized as auxiliary enterprises.

INSTITUTIONAL SUPPORT

This category should include expenditures for: (1) central executive-level activities concerned with management and long-range planning of the entire institution, such as the governing board, planning and programming, and legal services; (2) fiscal operations, including the investment office; (3) administrative data processing; (4) space management; (5) employee personnel and records; (6) logistical activities that provide procurement, storerooms, safety, security, printing, and transportation services to the institution; (7) support services to faculty and staff that are not operated as auxiliary enterprises; and (8) activities concerned with community and alumni relations, including development and fund raising.

Appropriate allocations of institutional support should be made to auxiliary enterprises, hospitals, and any other activities not reported under the Educational and General heading of expenditures.

This category includes the following subcategories:

Executive Management. Includes expenditures for all central, executive-level activities concerned with management and long-range planning for the entire institution (as distinct from planning and management for any one program within the institution). This subcategory includes such operations as executive direction (e.g., governing board), planning and programming, and legal operations.

Fiscal Operations. Includes expenditures for operations related to fiscal control and investments. It includes the accounting office, bursar, and internal and external audit and also includes such "financial" expenses as allowances for bad debts and short-term interest expenses.

General Administration and Logistical Services. Includes expenditures for activities related to general administrative operations and services (with the exception of fiscal operations and administrative data processing). Included in this subcategory are personnel administration, space management, purchasing and maintenance of supplies and materials, campuswide communication and transportation services, general stores, printing shops, and safety services.

Administrative Computing Support. Includes expenditures for computer services that provide support for institutionwide administrative functions.

Public Relations/Development. Includes expenditures for activities to maintain relations with the community, alumni, or other constituents and to conduct activities related to institutionwide development and fund raising.

OPERATIONS AND MAINTENANCE OF PLANT

This category should include all expenditures of current operating funds for the operation and maintenance of physical plant, in all cases net of amounts charged to auxiliary enterprises, hospitals, and independent operations. It does not include expenditures from the institutional plant fund accounts. It includes all expenditures

for operations established to provide services and maintenance related to grounds and facilities. Also included are utilities, fire protection, property insurance, and similar items.

This category includes the following subcategories:

Physical Plant Administration. Includes expenditures for administrative activities that directly support physical plant operations. Activities related to the development of plans for plant expansions or modification, as well as plans for new construction, should also be included in this subcategory.

Building Maintenance. Includes expenditures of activities related to routine repair and maintenance of buildings and other structures, including both normally recurring repairs and preventive maintenance.

Custodial Services. Includes expenditures related to custodial services in buildings.

Utilities. Includes expenditures related to heating, cooling, light and power, gas, water, and any other utilities necessary for operation of the physical plant.

Landscape and Grounds Maintenance. Includes expenditures related to the operation and maintenance of landscape and grounds.

Major Repairs and Renovations. Includes expenditures related to major repairs, maintenance, and renovations. Minor repairs should be classified in the subcategory "Building Maintenance." The distinction between major repairs and minor repairs should be defined by the institution.

SCHOLARSHIPS AND FELLOWSHIPS

This category should include expenditures for scholarships and fellowships in the form of outright grants to students selected by the institution and financed from current funds, restricted or unrestricted. It also should include trainee stipends, prizes, and awards, except trainee stipends awarded to individuals who are not enrolled in formal course work, which should be charged to instruction, research, or public service as appropriate. If the institution is given custody of the funds, but is not allowed to select the recipient of the grant—for example, federal Basic Educational Opportunity Grants program or ROTC scholarships—the funds should be reported in the Agency Funds group rather than in the Current Funds group. The recipient of an outright grant is not required to perform service to the institution as consideration for the grant, nor is he expected to repay the amount of the grant to the funding source. When services are required in exchange for financial assistance, as in the federal College Work-Study Program, the charges should be classified as expenditures of the department or organizational unit to which the service is rendered. Aid to students in the form of tuition or fee remissions also should be included in this category. However, remissions of tuition or fees granted because of faculty or staff status, or family relationship of students to faculty or staff, should be recorded as staff benefit expenditures in the appropriate functional expenditure category.

This category includes the following subcategories:

Scholarships. Includes outright grants-in-aid, trainee stipends, tuition and fee waivers, and prizes to undergraduate students.

Fellowships. Includes outright grants-in-aid and trainee stipends to graduate students. It does *not* include funds for which services to the institution must be rendered, such as payments to graduate students for teaching.

MANDATORY TRANSFERS

This category should include transfers from the Current Funds group to other fund groups arising out of (1) binding legal agreements related to the financing of educational plant, such as amounts for debt retirement, interest, and required provisions for renewals and replacements of plant, not financed from other sources, and (2) grant agreements with agencies of the federal government, donors, and other organizations to match gifts and grants to loan and other funds. Mandatory transfers may be required to be made from either unrestricted or restricted current funds.

This category includes the following subcategories:

Provision for Debt Service on Educational Plant. Includes mandatory debt service provisions relating to academic buildings, including (1) amounts for debt retirement and interest and (2) required provisions for renewals and replacements, to the extent not financed from other sources.

Loan Fund Matching Grants. Includes mandatory transfers to loan funds required to match outside gifts or grants, usually from the U.S. government.

Other Mandatory Transfers. Includes all mandatory transfers not included in the above subcategories.

NONMANDATORY TRANSFERS

This category should include those transfers from the Current Funds group to other fund groups made at the discretion of the governing board to serve a variety of objectives, such as additions to loan funds, additions to quasi-endowment funds, general or specific plant additions, voluntary renewals and replacements of plant, and prepayments on debt principal.

AUXILIARY ENTERPRISES

An auxiliary enterprise is an entity that exists to furnish goods or services to students, faculty, or staff and that charges a fee directly related to, although not necessarily equal to, the cost of the goods or services. The distinguishing characteristic of auxiliary enterprises is that they are managed as essentially self-supporting activities. Examples are residence halls, food services, intercollegiate athletics (only if essentially self-supporting), college stores, faculty clubs, faculty and staff parking,

and faculty housing. Student health services, when operated as an auxiliary enterprise, also should be included. The general public may be served incidentally by auxiliary enterprises. Hospitals, although they may serve students, faculty, or staff, are separately classified because of their relative financial significance.

This category includes all expenditures and transfers relating to the operation of auxiliary enterprises, including expenditures for operation and maintenance of plant and for institutional support; also included are other direct and indirect costs, whether charged directly as expenditures or allocated as a proportionate share of costs of other departments or units.

Expenditures of auxiliary enterprises are identified by using the same general criteria as for educational and general expenditures to distinguish them from transfers. *Mandatory transfers* follow the same criteria of identification as for educational and general mandatory transfers to distinguish them from expenditures and nonmandatory transfers. *Nonmandatory transfers* follow the same criteria of identification as for educational and general nonmandatory transfers to distinguish them from expenditures and mandatory transfers.

This category includes the following subcategories:

Auxiliary Enterprises—Student. Includes expenditures for auxiliary enterprise activities primarily intended to furnish services to students. A student health service, when operated as an auxiliary enterprise, would be included. However, intercollegiate athletics are *excluded* from this category.

Auxiliary Enterprises—Faculty/Staff. Includes expenditures for auxiliary enterprise activities primarily intended to provide a service to the faculty and/or staff. Such activities include the faculty club, faculty-staff parking, and faculty housing.

Intercollegiate Athletics. Includes expenditures for the intercollegiate sports program when that program is operated in accordance with the definition of an auxiliary enterprise (essentially self-supporting).

Mandatory Transfers/Auxiliary Enterprises. Includes mandatory transfers relating to auxiliary enterprises, including amounts set aside for (1) debt retirement and interest, and (2) required provisions for renewals and replacements, to the extent not financed from other sources.

HOSPITALS

This category includes all expenditures and transfers associated with the patient care operations of the teaching hospital, including nursing and other professional services, general services, administrative services, fiscal services, and charges for physical plant operations and institutional support. Also included are other direct and indirect costs, whether charged directly as expenditures or allocated as a proportionate share of costs of other departments or units. Expenditures for those activities which take place within the hospital, but which are categorized more appropriately as instruction or research, should be excluded from this category and accounted for in the appropriate categories.

Expenditures of hospitals are identified by using the same general criteria as for educational and general expenditures to distinguish them from transfers. *Mandatory transfers* follow the same criteria of identification as for educational and general mandatory transfers to distinguish them from expenditures and non-mandatory transfers.

This category includes the following subcategories:

Direct Patient Care. Includes expenditures for direct patient care such as prevention, diagnosis, treatment, and rehabilitation. Patient care activities solely for the benefit of the institution's students should be classified as student services.

Health Care Supportive Services. Includes expenditures for organized activities (1) that are unique to a teaching hospital, health sciences center, or clinic and (2) that directly support the provision of health but cannot themselves be considered part of the provision of direct patient care. Included in this subcategory would be such activities as the pharmacy, blood bank, and X-ray services.

Administration of Hospitals. Includes expenditures for both the day-to-day functioning and the long-range viability of the hospital, *excluding* physical plant operations.

Physical Plant Operations for Hospitals. Includes expenditures for activities related to maintaining the grounds and facilities of the hospital as well as providing utility services.

Mandatory Transfers/Hospitals. Includes mandatory transfers relating to hospitals, including amounts for (1) debt retirement and interest and (2) required provisions for renewals and replacements, to the extent not financed from other sources.

INDEPENDENT OPERATIONS

This category includes expenditures and transfers of those operations which are independent of, or unrelated to, but which may enhance the primary mission of the institution. This category generally is limited to expenditures associated with major federally funded research laboratories. This category excludes expenditures associated with property owned and managed as investments of the institution's endowment funds.

Expenditures of independent operations are identified by using the same general criteria as for educational and general expenditures to distinguish them from transfers. *Mandatory transfers* follow the same criteria of identification as for educational and general mandatory transfers to distinguish them from expenditures and nonmandatory transfers.

This category includes the following subcategories:

Independent Operations/Institutional. Includes those separately organized operations that are owned or controlled by the institution but that are unrelated to, or independent of, the institution's missions. This subcategory generally includes commercial enterprises operated by the institution but not established to provide

services to students, faculty, or staff or to provide support to one or more of the institution's missions. Activities operated as auxiliary enterprises (i.e., those established to provide a service to the students, faculty, or staff and charging a fee related to the cost of the service) are *excluded* from this subcategory. In addition, operations with commercial aspects but primarily supporting instruction, research, and/or public service (e.g., hospitals and ancillary support activities) should be *excluded*. Also *excluded* are activities operated as part of the institution's endowment funds.

Independent Operations/FFRDCs. Specifically included here are the twenty federally funded research and development centers listed below; all other institutionally operated research centers, however, should be classified within the subcategory "Institutes and Research Centers" of the category "Research."

Ames Laboratory, Iowa State University
Applied Physics Laboratory, The Johns Hopkins University
Argonne National Laboratory, The University of Chicago and
Argonne Universities Association
Brookhaven National Laboratory, Associated Universities, Inc.
Center for Naval Analyses, The University of Rochester
Cerro Tololo Inter-American Observatory, Association of Universities for
Research in Astronomy, Inc.
E.O. Lawrence Berkeley Laboratory, University of California
E.O. Lawrence Livermore Laboratory, University of California
Fermilab, Universities Research Association, Inc.
Jet Propulsion Laboratory, California Institute of Technology
Kitt Peak National Observatory, Association of Universities for
Research in Astronomy, Inc.
Lincoln Laboratory, Massachusetts Institute of Technology
Los Alamos Scientific Laboratory, University of California
National Astronomy and Ionosphere Center, Cornell University
National Center for Atmospheric Research, University Corporation for
Atmospheric Research
National Radio Astronomy Observatory, Associated Universities, Inc.
Oak Ridge Associated Universities, Oak Ridge Associated Universities
Plasma Physics Laboratory, Princeton University
Space Radiation Effects Laboratory, College of William and Mary
Stanford Linear Accelerator Center, Stanford University

Activity Look-Up Table

The look-up table consists of an alphabetical list of common activities, organizational units, position titles, and types of expenditures, each associated with one or more expenditure categories and one or more subcategories. It has been designed to be used in conjunction with the preceding definitions and to provide a quick reference for the assignment of activities. Since institutional organization structures and management practices vary considerably, many items in a particular institution could be assigned to a different expenditure category or subcategory than the one or ones designated in the look-up table. However, the assignments in the table indicate the general practice of postsecondary institutions. Such potential variability indicates that the look-up table should be used only after a thorough study of the subcategory definitions, and in conjunction with those definitions.

The category/subcategory designations are abbreviations, a list of which precedes the table. When more than one expenditure category/subcategory is listed and separated by commas, it indicates that the activity can be classified in more than one of the categories/subcategories listed. An example is "Off-campus Instruction," which can be classified in any of the subcategories General Academic Instruction, Vocational/Technical Instruction, Special Session Instruction, Community Education, or Preparatory/Remedial Instruction, depending on the objective and orientation of the instructional activity. When multiple subcategories are separated by the word *or* instead of a comma, it indicates that the activity should be assigned to one or the other category (not both). An example is "Student Health Service," which can be organized (and therefore appropriately classified) either as a student service or as an auxiliary enterprise.

Two designations used in the look-up table do not represent the names of JAG categories/subcategories. They are:

1. *Not a Current Funds Expenditure or Transfer*. This designation applies to items that are considered neither expenditures nor transfers (e.g., an appropriation-lapse) and items that are not expenditures of current funds (e.g., BEOGs, which are agency fund expenditures).
2. *Distributed Among Categories*. This designation indicates items that should be distributed across numerous expenditure categories/subcategories. An example is "Fringe Benefits," which should be distributed to the category/subcategory to which the employee's activities and salary are assigned.

Abbreviations for Coding

General Academic Instruction	Ins/GenAcad
Vocational/Technical Instruction	Ins/VoTech
Special Session Instruction	Ins/SpecSession
Community Education	Ins/CommEd
Preparatory/Remedial Instruction	Ins/PrepRemed
Institutes and Research Centers	Res/Inst and RC
Individual and Project Research	Res/Indiv and ProjRes
Community Service	PubSvc/CommSvc
Cooperative Extension Service	PubSvc/CoopExtSvc
Public Broadcasting Services	PubSvc/PubBrdcstSvc
Libraries	AcadSupp/Lib
Museums and Galleries	AcadSupp/Mus and Gal
Educational Media Services	AcadSupp/EdMediaSvc
Academic Computing Support	AcadSupp/AcadComputSvc
Ancillary Support	AcadSupp/AncilliSupp
Academic Administration	AcadSupp/AcadAdmin
Academic Personnel Development	AcadSupp/AcadPersDev
Course and Curriculum Development	AcadSupp/Course and CurricDev
Student Services Administration	StudSvc/StudSvcAdmin
Social and Cultural Development	StudSvc/Soc and CulDev
Counseling and Career Guidance	StudSvc/Coun and CareerGuid
Financial Aid Administration	StudSvc/FinanAidAdmin
Student Admissions	StudSvc/StudAdmis
Student Records	StudSvc/StudRecords
Student Health Services	StudSvc/StudHlthSvc
Executive Management	InstSupp/ExecMgt
Fiscal Operations	InstSupp/FisOps
General Administration and Logistical Services	InstSupp/GenAdminLogSvc
Administrative Computing Support	InstSupp/AdminComputSvc
Public Relations/Development	InstSupp/PubRel and Dev
Physical Plant Administration	O&MPlt/PhyPltAdmin
Building Maintenance	O&MPlt/BldgMaint
Custodial Services	O&MPlt/CustSvc
Utilities	O&MPlt/Utilities
Landscape and Grounds Maintenance	O&MPlt/Land and GrdMaint
Major Repairs and Renovations	O&MPlt/MajorRepairs and Ren
Scholarships	Schshps and Fellow/Schshps
Fellowships	Schshps and Fellow/Fellow
Provision for Debt Service on Educational Plant	MandTrans/DebtSvc-EducPlt
Loan Fund Matching Grants	MandTrans/LoanFundMatchingGrants
Other Mandatory Transfers	MandTrans/OtherMandTrans
Nonmandatory Transfers	NonMandTrans/NonMandTrans

Auxiliary Enterprises—Student	AuxEnt/AuxEnt-Stud
Auxiliary Enterprises—Faculty/Staff	AuxEnt/AuxEnt-Fac-Staff
Intercollegiate Athletics	AuxEnt/IntercollAth
Mandatory Transfers/Auxiliary Enterprises	AuxEnt/MandTrans
Direct Patient Care	Hosp/DirPatCare
Health Care Supportive Services	Hosp/HlthCareSuppSvc
Administration of Hospitals	Hosp/Admin for Hosp
Physical Plant Operations for Hospitals	Hosp/PhyPltOp for Hosp
Mandatory Transfers/Hospitals	Hosp/MandTrans
Independent Operations—Institutional	IndOps/IndOps-Institutional
Independent Operations—FFRDCs	IndOps/IndOps-FFRDCs
Not a Current Funds Expenditure or Transfer	NotCurrentFundsExpenTrans
Distributed Among Categories	DistAmongCategories

Activity Look-Up Table

Academic Administration	AcadSupp/AcadAdmin
Academic Advising, Formal	AcadSupp/AcadAdmin
Academic Advising, Informal	Ins/GenAcad, Ins/VoTech, Ins/SpecSession, Ins/Prep/Remed, Ins/CommEd
Academic Associate Degrees	Ins/GenAcad
Academic Computing Services	AcadSupp/AcadComputSvs
Academic Governance, Departmental	Ins/GenAcad, Ins/VoTech, Ins/CommEd Ins/PrepRemed, Ins/SpecSession
Academic Governance, Institutionwide	InstSupp/ExecMgt
Academic Personnel Development	AcadSupp/AcadPersDev
Academic Senate	InstSupp/ExecMgt
Academic-Year Instruction	Ins/GenAcad, Ins/VoTech, Ins/CommEd, Ins/PrepRemed
Accounting, Institutional	InstSupp/FisOps
Accreditation Fees, Hospital	Hosp/Admin for Hosp
Accreditation Fees, Institutionwide	InstSupp/ExecMgt
Accreditation Fees, Single Program	AcadSupp/AcadAdmin
Accreditation Studies	InstSupp/ExecMgt
Administration, Auxiliary Enterprise-related	AuxEnt/AuxEnt-Stud, AuxEnt/ AuxEnt-Fac-Staff, AuxEnt/IntercollAth
Administration, Budget	InstSupp/FisOps
Administration, Hospital-related	Hosp/Admin for Hosp
Administrative Computing Services	InstSupp/AdminComputSvc
Admissions	StudSvs/StudAdmis
Adult Basic Education	Ins/CommEd
Advanced Placement Testing	StudSvc/Coun and CareerGuid
Advertising, Institutional/Student	StudSvc/StudAdmis, InstSupp/ PubRel and Dev, AuxEnt/IntercollAth or StudSvc/Soc and CulDev
Advising, Academic (Formal)	AcadSupp/AcadAdmin
Advising, Academic (Informal)	Ins/GenAcad, Ins/VoTech, Ins/SpecSession, Ins/CommEd, Ins/PrepRemed

Advisory Board, Institutional	InstSupp/ExecMgt
Affirmative Action Office	InstSupp/GenAdminLogSvc
Agricultural Experiment Station	Res/Inst and RC
Agricultural Extension Service	PubSvc/CoopExtSvc
Agriculture and Natural Resources (0100)	Ins/GenAcad, Ins/SpecSession, Ins/CommEd
Air Conditioning	O&MPlt/Utilities
Airport	IndOps/IndOps-Institutional
Alumni-related	InstSupp/PubRel and Dev
American College Testing Program	StudSvc/Coun and CareerGuid
Ames Laboratory	IndOps/IndOps-FFRDCs
Analytical Studies Office	InstSupp/ExecMgt
Ancillary Services	AcadSupp/AncillSupp
Animal Laboratories	AcadSupp/AncillSupp
Applied Physics Laboratory	IndOps/IndOps-FFRDCs
Appropriation Lapse	NotCurrentFundsExpenTrans
Arboretum	AcadSupp/AncillSupp
Archeology Museums	AcadSupp/Mus and Gal
Architect, Campus	O&MPlt/PhyPltAdmin
Architecture and Environmental Design (0200)	Ins/GenAcad, Ins/SpecSession, Ins/CommEd
Archives	AcadSupp/Lib, AcadSupp/Mus and Gal
Area Extension Programs	PubSvc/CoopExtSvc
Area Studies (0300)	Ins/GenAcad, Ins/SpecSession
Argonne National Laboratory	IndOps/IndOps-FFRDCs
Art Appraisals	AcadSupp/Mus and Gal
Art Lending and Rental Galleries	AcadSupp/Mus and Gal
Art Museums	AcadSupp/Mus and Gal
Art Purchases	AcadSupp/Mus and Gal
Art Supply Stores	AuxEnt/AuxEnt-Stud <i>or</i> InstSupp/GenAdminLogSvc
Assistant to the President	InstSupp/ExecMgt
Associate Degrees, Academic	Ins/GenAcad
Associations, Student	StudSvc/Soc and CulDev
Athletic Director	AuxEnt/IntercollAth <i>or</i> StudSvc/Soc and CulDev
Athletic Publicity	AuxEnt/IntercollAth <i>or</i> StudSvc/Soc and CulDev
Athletic Recruitment	AuxEnt/IntercollAth <i>or</i> StudSvc/StudAdmis
Athletic Scholarships	Schshps and Fellow/Schshps
Athletics, Intercollegiate	AuxEnt/IntercollAth <i>or</i> StudSvc/Soc and CulDev
Athletics, Intramural	StudSvc/Soc and CulDev
Audiovisual Equipment, Rental, or Services	AcadSupp/EdMediaSvc
Audit Exception Recovery	NotCurrentFundsExpenTrans
Auditor—External, Federal Grant, Internal, etc.	InstSupp/FisOps
Auxiliary Enterprises—Faculty/Staff	AuxEnt/AuxEnt-Fac-Staff
Auxiliary Enterprises—Student	AuxEnt/AuxEnt-Stud
Avocational Education	Ins/CommEd
Awards, Financial (Graduate)	Schshps and Fellow/Fellow
Awards, Financial (Undergraduate)	Schshps and Fellow/Schshps

Banking Institutes	PubSvc/CommSvc
Bargaining, Collective	InstSupp/GenAdminLogSvc
Basic Educational Opportunity Grants	NotCurrentFundsExpenTrans
Benefits, Fringe	DistAmongCategories
Benefits, Staff	DistAmongCategories
BEOGs	NotCurrentFundsExpenTrans
Biological Sciences (0400)	Ins/GenAcad, Ins/SpecSession
Board, Coordinating	InstSupp/ExecMgt
Board of Control, Regents, Trustees, etc.	InstSupp/ExecMgt
Bonding of Employees	InstSupp/FisOps
Book Appraisals	AcadSupp/Mus and Gal, AcadSupp/Lib
Book Purchases	AcadSupp/Lib
Book Repairs (e.g., binding)	AcadSupp/Lib
Bookstore, Student	AuxEnt/AuxEnt-Stud
Botanical Garden	AcadSupp/AncillSupp
Bowling Alley	AuxEnt/AuxEnt-Stud <i>or</i> IndOps/IndOps-Institutional
Broadcasting Services, Instructional	AcadSupp/AncillSupp
Broadcasting Services, Public	PubSvc/PubBrdcstSvc
Broadcasting Services, Student Club	StudSvc/Soc and CulDev
Brookhaven National Laboratory	IndOps/IndOps-FFRDCs
Budget Administration	InstSupp/FisOps
Budget Officer	InstSupp/FisOps
Budget Planning	InstSupp/ExecMgt
Building Cleaning	O&MPlt/CustSvc
Building Maintenance	O&MPlt/BldgMaint
Bureau of Business Research	Res/Inst and RC
Bureau of School Services	PubSvc/CommSvc
Bureaus, Reference	PubSvc/CommSvc
Bursar	InstSupp/FisOps
Buses	InstSupp/GenAdminLogSvc
Business and Commerce Technologies (5000)	Ins/VoTech, Ins/SpecSession, Ins/CommEd
Business and Management (0500)	Ins/GenAcad, Ins/SpecSession, Ins/CommEd
Business Manager (Chief Business Officer)	InstSupp/ExecMgt
Business Office	InstSupp/FisOps
Business Services	InstSupp/FisOps
Campus Planning	O&MPlt/PhyPltAdmin
Campus Roads	O&MPlt/Land and GrdMaint
Campus Safety	InstSupp/GenAdminLogSvc
Career Counseling	StudSvc/Coun and CareerGuid
Career Days	StudSvc/Coun and CareerGuid
Career Guidance	StudSvc/Coun and CareerGuid
Car Pool, Institutional	InstSupp/GenAdminLogSvc
Cash Flow Management	InstSupp/FisOps
Cashier	InstSupp/FisOps
Catalogs, Admissions	StudSvc/StudAdmis
Catalogs, Course (Schedule)	StudSvc/StudRecords
Center, Behavioral Science	Res/Inst and RC
Center, Child Care	AuxEnt/AuxEnt-Stud, AuxEnt/AuxEnt-Fac-Staff
Center, Computer	AcadSupp/AcadComputSvc, InstSupp/AdminComputSvc

Center, Counseling	StudSvc/Coun and CareerGuid
Center, Dial Access	AcadSupp/EdMediaSvc
Center, Federally Funded Research and Development	IndOps/IndOps-FFRDCs
Center of Naval Analyses	IndOps/IndOps-FFRDCs
Center for the Study of Aging	Res/Inst and RC
Center for the Study of Democratic Institutions	Res/Inst and RC
Center, Instructional Media	AcadSupp/EdMediaSvc
Center, Learning Resources	AcadSupp/EdMediaSvc
Center, Measurement and Testing	StudSvc/Coun and CareerGuid
Center, Multimedia	AcadSupp/EdMediaSvc
Center, Opinion Research	Res/Inst and RC
Center, Public Health Research	Res/Inst and RC
Center, Research	Res/Inst and RC
Center, Social Science Research	Res/Inst and RC
Center, Student	AuxEnt/AuxEnt-Stud <i>or</i> StudSvc/Soc and CulDev
Center, Telecommunications	AcadSupp/EdMediaSvc
Center, Women's	StudSvc/Soc and CulDev
Central Inventory	InstSupp/GenAdminLogSvc
Ceremonies	InstSupp/PubRel and Dev
Cerro Tololo Inter-American Observatory	IndOps/IndOps-FFRDCs
Certificate Programs, Vocational	Ins/VoTech
CETA Funds	DistAmongCategories
Chairperson, Departmental	Ins/GenAcad, Ins/SpecSession, Ins/VoTech, Ins/PrepRemed, Ins/CommEd
Chancellor	InstSupp/ExecMgt
Cheerleading	StudSvc/Soc and CulDev
Child Care Center	AuxEnt/AuxEnt-Stud, AuxEnt/AuxEnt-Fac-Staff
Cleaning, Building	O&MPlt/CustSvc
Clinic	AcadSupp/AncilSup <i>or</i> PubSvc/CommSvc
Clinic, Student Health	AuxEnt/AuxEnt-Stud <i>or</i> StudSvc/StudHlthSvc
Closed-circuit TV	AcadSupp/EdMediaSvc
Clubs, Alumni	InstSupp/PubRel and Dev
Clubs, Faculty	AuxEnt/AuxEnt-Fac-Staff
Clubs, Student	StudSvc/Soc and CulDev
Coaching, Intercollegiate Athletics	StudSvc/Soc and Cul Dev <i>or</i> AuxEnt/IntercollAth
Coal	O&MPlt/Utilities
Collections of Debts	InstSupp/FisOps
Collective Bargaining	InstSupp/GenAdminLogSvc
College Curriculum Committees	AcadSupp/Course and CurricDev
College Level Examination Program (CLEP)	StudSvc/Coun and CareerGuid
College Placement Services	StudSvc/Coun and CareerGuid
Commencements	InstSupp/PubRel and Dev
Commercial Property Rental	IndOps/IndOps-Institutional
Commissions, Art	AcadSupp/Mus and Gal
Committees, Curriculum	AcadSupp/Course and CurricDev
Committees, Departmental	Ins/GenAcad, Ins/VoTech, Ins/CommEd, Ins/SpecSession, Ins/PrepRemed

Committees, Institutionwide	InstSupp/ExecMgt
Communications (0600)	Ins/GenAcad, Ins/SpecSession, Ins/PrepRemed
Communications, External	InstSupp/PubRel and Dev
Communications Services, Internal	InstSupp/GenAdminLogSvc
Community Development Programs	PubSvc/CommSvc
Community Education	Ins/CommEd
Community Meetings	PubSvc/CommSvc
Community Outreach Health Activities	PubSvc/CommSvc
Community Public Relations	InstSupp/PubRel and Dev
Community Relations	InstSupp/PubRel and Dev
Community Service	PubSvc/CommSvc
Compensatory Education	Ins/PrepRemed
Comptroller	InstSupp/FisOps
Computer and Information Sciences (0700)	Ins/GenAcad, Ins/SpecSession, Ins/PrepRemed
Computing Support	InstSupp/AdminComputSvc, AcadSupp/AcadComputSvc
Computing Support, Academic	AcadSupp/AcadComputSvc
Computing Support, Administrative	InstSupp/AdminComputSvc
Concerts	StudSvc/Soc and CulDev <i>or</i> PubSvc/CommSvc
Conferences and Conference Centers	PubSvc/CommSvc
Construction Administration	O&MPlt/PhyPltAdmin
Construction Engineers	O&MPlt/PhyPltAdmin, O&MPlt/MajorRepairs and Ren
Construction Inspectors	O&MPlt/PhyPltAdmin, O&MPlt/MajorRepairs and Ren
Construction Projects	O&MPlt/MajorRepairs and Ren <i>or</i> NotCurrentFundsExpenTrans
Consulting, Faculty (Institutionally Funded)	PubSvc/CommSvc
Contract Administration	InstSupp/FisOps
Control, Board of	InstSupp/ExecMgt
Control, Budget	InstSupp/FisOps
Control, Fiscal	InstSupp/FisOps
Controller	InstSupp/FisOps
Convocation	InstSupp/PubRel and Dev
Cooperative Extension Service	PubSvc/CoopExtSvc
Coordinating Board	InstSupp/ExecMgt
Copy Center	InstSupp/GenAdminLogSvc
Cost Sharing (Research Grants)	Ins/GenAcad, Ins/VoTech, Ins/CommEd, Ins/SpecSession, Ins/PrepRemed <i>or</i> Res/Indiv and ProjRes
Counseling, Academic (Formal)	AcadSupp/AcadAdmin
Counseling, Academic (Informal)	Ins/GenAcad, Ins/VoTech, Ins/SpecSession, Ins/PrepRemed, Ins/CommEd
Counseling and Career Guidance	StudSvc/Coun and CareerGuid
Counseling, Career	StudSvc/Coun and CareerGuid
Counseling Center	StudSvc/Coun and CareerGuid
Counseling Groups	StudSvc/Coun and CareerGuid
Counseling, Guidance	StudSvc/Coun and CareerGuid
Counseling, Personal	StudSvc/Coun and CareerGuid

Counseling, Psychological	StudSvc/Coun and CareerGuid <i>or</i> StudSvc/StudHlthSvc <i>or</i> AuxEnt/AuxEnt-Stud
Counseling, Veterans'	StudSvc/Coun and CareerGuid
Counseling, Vocational	StudSvc/Coun and CareerGuid
Counseling, Women's	StudSvc/Coun and CareerGuid
Course and Curriculum Development	AcadSupp/Course and CurricDev
Course Planning	AcadSupp/Course and CurricDev
Course Updating	Ins/GenAcad, Ins/VoTech, Ins/CommEd, Ins/SpecSession, Ins/PrepRemed
Courses, General Academic	Ins/GenAcad
Courses, In-service Training	Ins/CommEd
Courses, Refresher	Ins/CommEd, Ins/PrepRemed
Courses, Remedial	Ins/PrepRemed
Courses, Vocational	Ins/VoTech
Creamery	AcadSupp/AncillSupp
Credit Instruction	Ins/GenAcad, Ins/VoTech, Ins/SpecSession
Credit Union	IndOps/IndOps-Institutional <i>or</i> NotCurrentFundsExpenTrans
Cultural Events	StudSvc/Soc and CulDev <i>or</i> PubSvc/CommSvc
Cultural Groups	StudSvc/Soc and CulDev
Curriculum Committee, Evaluation, Planning, Research, etc.	AcadSupp/Course and CurricDev
Custodial Services	O&MPlt/CustSvc
Dairy Creameries	AcadSupp/AncillSupp
Data Processing, Academic	AcadSupp/AcadComputSvc
Data Processing, Administrative	InstSupp/AdminComputSvc
Data Processing Technologies (5100)	Ins/VoTech, Ins/SpecSession
Deaf Program Coordinator	StudSvc/StudSvcAdmin
Dean, Academic	AcadSupp/AcadAdmin
Dean of a College or School	AcadSupp/AcadAdmin
Dean of Business Affairs	InstSupp/ExecMgt
Dean of Men	StudSvc/StudSvcAdmin
Dean of Student Personnel Services	StudSvc/StudSvcAdmin
Dean of Students	StudSvc/StudSvcAdmin
Dean of the College (Provost)	InstSupp/ExecMgt
Dean of Women	StudSvc/StudSvcAdmin
Debt Collection	InstSupp/FisOps
Debt Service, Auxiliary Enterprises	AuxEnt/MandTrans
Debt Service, Educational Plant	MandTrans/DebtSvc-EducPlt
Debt Service, Hospitals	Hosp/MandTrans
Debts, Provision for Bad (current fund)	InstSupp/FisOps
Debts, Provision for Bad (noncurrent fund)	NotCurrentFundsExpenTrans <i>or</i> NonMandTrans/NonMandTrans
Debts, Provision for Bad (student loan)	NotCurrentFundsExpenTrans <i>or</i> NonMandTrans/NonMandTrans
Degree-related Instruction	Ins/GenAcad, Ins/VoTech, Ins/SpecSession
Demonstration School	AcadSupp/AncillSupp
Dental Clinic	AcadSupp/AncillSupp <i>or</i> PubSvc/CommSvc

Departmental Administration	Ins/GenAcad, Ins/VoTech, Ins/CommEd, Ins/SpecSession, Ins/PrepRemed
Departmental Chairperson	Ins/GenAcad, Ins/VoTech, Ins/CommEd, Ins/SpecSession, Ins/PrepRemed
Departmental Committees	Ins/GenAcad, Ins/VoTech, Ins/CommEd, Ins/SpecSession, Ins/PrepRemed
Departmental Language Laboratories	Ins/GenAcad
Departmental Library	Ins/GenAcad, Ins/VoTech, Ins/PrepRemed
Departmental Museum	Ins/GenAcad
Departmental Public Service (not separately organized or budgeted)	Ins/GenAcad, Ins/VoTech, Ins/CommEd, Ins/SpecSession, Ins/PrepRemed
Departmental Research (not separately organized or budgeted)	Ins/GenAcad, Ins/VoTech, Ins/CommEd, Ins/PrepRemed
Departments, Service	DistAmongCategories
Developmental Education	Ins/PrepRemed
Development, Faculty	AcadSupp/AcadPersDev
Development Fund Administration	InstSupp/PubRel and Dev or InstSupp/FisOps
Development Office	InstSupp/PubRel and Dev
Dial Access Center	AcadSupp/EdMediaSvc
Direct Patient Care	Hosp/DirPatCare
Direct Patient Care, Student Health Services	AuxEnt/AuxEnt-Stud or StudSvc/StudHlthSvc
Director of Development	InstSupp/PubRel and Dev
Director of Physical Plant	O&MPlt/PhyPltAdmin
Director of Special Session (Summer Session)	Ins/SpecSession
Director of Student Personnel Services	StudSvc/StudSvcAdmin
Disadvantaged Students Office	StudSvc/StudSvcAdmin
Disallowed Expenditure	NotCurrentFundsExpenTrans
Disbursement	InstSupp/FisOps
Divisional Libraries	AcadSupp/Lib
Doctoral Language Requirement Courses	Ins/PrepRemed
Dormitories	AuxEnt/AuxEnt-Stud
Dormitory Supplies	AuxEnt/AuxEnt-Stud
Driver Training	Ins/CommEd
Dues, Institutional	InstSupp/ExecMgt
Duplicating Services	InstSupp/GenAdminLogSvc
Education (0800)	Ins/GenAcad, Ins/SpecSession
Education, Adult Basic	Ins/CommEd
Education, Avocational	Ins/CommEd
Education, Basic	Ins/CommEd
Education, Compensatory	Ins/PrepRemed
Education, Developmental	Ins/CommEd
Education, Preparatory	Ins/PrepRemed
Education, Remedial	Ins/PrepRemed
Electricity	O&MPlt/Utilities
Electronics Design Facility	AcadSupp/AncilSupp
Emeritus, President/Vice President	InstSupp/ExecMgt
Employee Records	InstSupp/GenAdminLogSvc
Employee Relations	InstSupp/GenAdminLogSvc

Endowment Management	InstSupp/FisOps
Engineering (0900)	Ins/GenAcad, Ins/SpecSession
Engineers, Construction	O&MPlt/MajorRepairs and Ren, O&MPlt/PhyPltAdmin
Engineers, Power Plant	O&MPlt/Utilities
English for Foreign Students	Ins/PrepRemed
Environmental Health and Safety	InstSupp/GenAdminLogSvc
E.O. Lawrence Berkeley Laboratory	IndOps/IndOps-FFRDCs
E.O. Lawrence Livermore Laboratory	IndOps/IndOps-FFRDCs
Equal Opportunity Office	InstSupp/GenAdminLogSvc
Evaluation, Course	AcadSupp/Course and CurricDev
Evaluation, Curriculum	AcadSupp/Course and CurricDev
Evaluation, Faculty (by students)	AcadSupp/AcadAdmin <i>or</i> AcadSupp/AcadPersDev
Executive Assistant to President	InstSupp/ExecMgt
Executive Management	InstSupp/ExecMgt
Executive Officers	InstSupp/ExecMgt
Exhibits, Art	AcadSupp/Mus and Gal
Exhibits, Museum	AcadSupp/Mus and Gal
Experiment Station, Agricultural	Res/Inst and RC
Extension, Agricultural	PubSvc/CoopExtSvc
Extension, Dean of	AcadSupp/AcadAdmin
Extension, 4-H	PubSvc/CoopExtSvc
Extension Instruction	Ins/GenAcad, Ins/VoTech, Ins/CommEd, Ins/PrepRemed
Extension Management Information	
Systems (EMIS)	PubSvc/CoopExtSvc
Extension, Urban	PubSvc/CoopExtSvc
Extension, Youth	PubSvc/CoopExtSvc
External Auditor	InstSupp/FisOps
External Relations	InstSupp/PubRel and Dev
Facilitating, Educational	Ins/GenAcad, Ins/VoTech, Ins/SpecSession, Ins/CommEd, Ins/PrepRemed
Facilities Maintenance	O&MPlt/BldgMaint
Facilities Management	O&MPlt/PhyPltAdmin
Faculty and Staff Child Care	AuxEnt/AuxEnt-Fac-Staff
Faculty and Staff Development Programs	AcadSupp/AcadPersDev
Faculty and Staff Food Services	AuxEnt/AuxEnt-Fac-Staff
Faculty and Staff Health Services	AuxEnt/AuxEnt-Fac-Staff <i>or</i> AuxEnt/AuxEnt-Stud <i>or</i> StudSvc/StudHlthSvc
Faculty and Staff Recreation Center	AuxEnt/AuxEnt-Fac-Staff
Faculty Awards	AcadSupp/AcadPersDev
Faculty Club	AuxEnt/AuxEnt-Fac-Staff
Faculty Development	AcadSupp/AcadPersDev
Faculty Housing	AuxEnt/AuxEnt-Fac-Staff
Faculty Recognition Programs	AcadSupp/AcadPersDev
Faculty Recruitment	Ins/GenAcad, Ins/VoTech, Ins/SpecSession, Ins/CommEd, Ins/PrepRemed <i>or</i> AcadSupp/AcadAdmin
Family Housing Office	AuxEnt/AuxEnt-Stud

Farm, University	AcadSupp/AncillSupp
Federal Grant Auditor	InstSupp/FisOps
Federally Funded Research and Development Center	IndOps/IndOps-FFRDCs
Fee Waivers (Faculty, Staff, and Dependents)	DistAmongCategories
Fee Waivers (Students)	Schshps and Fellow/Schshps, Schshps and Fellow/Fellow
Fellowships	Schshps and Fellow/Fellow
Fellowships Administration	StudSvc/FinanAidAdmin
Fermilab	IndOps/IndOps-FFRDCs
Film Series	PubSvc/CommSvc or StudSvc/Soc and CulDev
Financial Aid Administration	StudSvc/FinanAidAdmin
Financial Aid Counseling	StudSvc/FinanAidAdmin
Financial Aid (Employment)	DistAmongCategories
Financial Aid (Grants)	Schshps and Fellow/Schshps, Schshps and Fellow/Fellow
Financial Aid Grants Administration	StudSvc/FinanAidAdmin
Financial Aid Loan Administration	StudSvc/FinanAidAdmin
Financial Aid (Loans)	NotCurrentFundsExpenTrans
Financial Aid Office	StudSvc/FinanAidAdmin
Financial Aid Seminars	StudSvc/FinanAidAdmin
Fine and Applied Arts (1000)	Ins/GenAcad, Ins/SpecSession, Ins/CommEd
Fire Protection	O&MPlt/BldgMaint
Fiscal Control	InstSupp/FisOps
Fiscal Operations	InstSupp/FisOps
Food Service, Faculty and Staff	AuxEnt/AuxEnt-Fac-Staff
Food Service, Student	AuxEnt/AuxEnt-Stud
Foreign Languages (1100)	Ins/GenAcad, Ins/SpecSession, Ins/CommEd, Ins/PrepRemed
Foreign Student-related	StudSvc/StudSvcAdmin
4-H Extension	PubSvc/CoopExtSvc
Fraternity Adviser	StudSvc/Soc and CulDev
Freight Services	InstSupp/GenAdminLogSvc
Freshman Advisers	StudSvc/StudSvcAdmin, StudSvc/Coun and CareerGuid
Fringe Benefits	DistAmongCategories
Fuel, Automotive	InstSupp/GenAdminLogSvc
Fuel, Heating	O&MPlt/Utilities
Fuel, Power Plant	O&MPlt/Utilities
Fund Raising	InstSupp/PubRel and Dev
Galleries	AcadSupp/Mus and Gal
Garage	InstSupp/GenAdminLogSvc
Gas, Natural	O&MPlt/Utilities
Gasoline	InstSupp/GenAdminLogSvc
General Academic Instruction	Ins/GenAcad
General Administration and Logistical Services	InstSupp/GenAdminLogSvc
General Advisory Services (Community)	PubSvc/CommSvc
General Counsel	InstSupp/ExecMgt
General Education Development (GED)	Ins/CommEd
General Liability Insurance	InstSupp/GenAdminLogSvc
Gift Solicitation	InstSupp/PubRel and Dev

Glass-blowing Shop	AcadSupp/AncillSupp
Golf Course	AuxEnt/AuxEnt-Stud <i>or</i> AuxEnt/AuxEnt-Fac-Staff <i>or</i> IndOps/IndOps-Institutional
Governing Board	InstSupp/ExecMgt
Governmental Relationships	InstSupp/PubRel and Dev
Graduate Assistants	DistAmongCategories
Graduate Library	AcadSupp/Lib
Graduation Ceremonies	InstSupp/PubRel and Dev
Grants Accounting	InstSupp/FisOps
Grants Administration (Financial Aid)	StudSvc/FinanAidAdmin
Grants Proposal Development	Ins/GenAcad, Ins/VoTech, Ins/SpecSession, Ins/CommEd, Ins/PrepRemed, Res/Indiv and ProjRes
Graphics, Instructional	AcadSupp/EdMediaSvc
Grounds Maintenance	O&MPlt/Land and GrdMaint
Handicapped Students Programs	StudSvc/StudSvcAdmin
Health Care Supportive Services (Hospital)	Hosp/HlthCareSuppSvc
Health Care Supportive Services (Student Health Center)	StudSvc/StudHlthSvc <i>or</i> AuxEnt/AuxEnt-Stud
Health Center, Student	StudSvc/StudHlthSvc <i>or</i> AuxEnt/AuxEnt-Stud
Health Professions (1200)	Ins/GenAcad, Ins/SpecSession, Ins/CommEd
Health Services, Community	AcadSupp/AncillSupp <i>or</i> PubSvc/CommSvc
Health Services, Faculty and Staff	AuxEnt/AuxEnt-Stud <i>or</i> AuxEnt/AuxEnt-Fac-Staff <i>or</i> StudSvc/StudHlthSvc
Health Services, Psychiatric (student)	StudSvc/StudHlthSvc <i>or</i> StudSvc/Coun and CareerGuid <i>or</i> AuxEnt/AuxEnt-Stud
Health Services, Student	StudSvc/StudHlthSvc <i>or</i> AuxEnt/AuxEnt-Stud
Health Services and Paramedical Technologies (5200)	Ins/VoTech, Ins/SpecSession, Ins/CommEd
Heating Oil	O&MPlt/Utilities
Heating Plant	O&MPlt/Utilities
High School Career Days/Nights	StudSvc/StudAdmis
High School Completion	Ins/CommEd
Home Economics (1300)	Ins/GenAcad, Ins/SpecSession, Ins/CommEd
Home Study	Ins/GenAcad, Ins/VoTech, Ins/CommEd, Ins/SpecSession, Ins/PrepRe:ned
Honors Program	Ins/GenAcad, Ins/SpecSession
Hospital	Hosp/PhyPltOp for Hosp, Hosp/MandTrans, Hosp/DirPatCare, Hosp/HlthCareSuppSvc, Hosp/Admin for Hosp
Hospital, Teaching	Hosp/PhyPltOp for Hosp, Hosp/MandTrans, Hosp/DirPatCare, Hosp/HlthCareSuppSvc, Hosp/Admin for Hosp

Hotel	IndOps/IndOps-Institutional <i>or</i> AcadSupp/AncillSupp
Housing Services, Faculty and Staff	AuxEnt/AuxEnt-Fac-Staff
Housing Services, Student	AuxEnt/AuxEnt-Stud
ID Cards, Employee	InstSupp/GenAdminLogSvc
ID Cards, Student	StudSvc/StudRecords
Independent Operations	IndOps/IndOps-FFRDCs <i>or</i> IndOps/IndOps-Institutional
Individual or Project Research	Res/Indiv and ProjRes
Infirmery, Student	AuxEnt/AuxEnt-Stud <i>or</i> StudSvc/StudHlthSvc
Informal Academic Counseling	Ins/GenAcad, Ins/VoTech, Ins/SpecSession, Ins/CommEd, Ins/PrepRemed
Insect Control	O&MPlt/Land and GrdMaint, O&MPlt/BldgMaint
In-service Faculty Education Programs	AcadSupp/AcadPersDev
Institute, Behavioral Science	Res/Inst and RC
Institute, Gerontology	Res/Inst and RC, PubSvc/CommSvc
Institute, Urban Affairs	Res/Inst and RC, PubSvc/CommSvc
Institutes and Research Centers	Res/Inst and RC
Institutional Dues	InstSupp/ExecMgt
Institutional Memberships	InstSupp/ExecMgt
Institutional Research	InstSupp/ExecMgt
Instruction, Degree	Ins/GenAcad, Ins/VoTech, Ins/SpecSession
Instruction, Nondegree	Ins/CommEd, Ins/PrepRemed
Instruction, Occupational	Ins/VoTech, Ins/SpecSession, Ins/CommEd
Instruction, Remedial	Ins/PrepRemed
Instruction and Departmental Research	Ins/GenAcad, Ins/SpecSession, Ins/VoTech, Ins/CommEd, Ins/PrepRemed
Instructional Evaluation	AcadSupp/AcadPersDev, AcadSupp/Course and CurricDev
Instructional Media Center	AcadSupp/EdMediaSvc
Instructional Resources Center	AcadSupp/EdMediaSvc
Insurance, Liability	InstSupp/GenAdminLogSvc
Insurance, Malpractice	Hosp/Admin for Hosp, StudSvc/StudHlthSvc <i>or</i> AuxEnt/AuxEnt-Stud
Insurance Management	InstSupp/FisOps
Insurance, Property	O&MPlt/PhyPltAdmin
Intercollegiate Athletics	StudSvc/Soc and CulDev <i>or</i> AuxEnt/IntercollAth
Intercollegiate Athletics Scholarships	Schshps and Fellow/Schshps
Interdisciplinary Studies (4900)	Ins/GenAcad, Ins/SpecSession, Ins/CommEd
Interest (Current Funds Loans)	InstSupp/FisOps
Interim Session Instruction	Ins/SpecSession
Interlibrary Loan Services	AcadSupp/Lib
Internal Auditor	InstSupp/FisOps
Internal Newsletters	InstSupp/PubRel and Dev
International Affairs Conference	PubSvc/CommSvc
International Services	PubSvc/CommSvc
Interviewing, Student	StudSvc/Coun and CareerGuid, StudSvc/StudAdmis

Intramural Athletics	StudSvc/Soc and CulDev
Inventory Control	InstSupp/GenAdminLogSvc
Investment Management	InstSupp/FisOps
Janitors	O&MPlt/CustSvc
Jet Propulsion Laboratory	IndOps/IndOps-FFRDCs
Kitt Peak National Observatory	IndOps/IndOps-FFRDCs
Labor Relations Office	InstSupp/GenAdminLogSvc
Laboratory, Animal	AcadSupp/AncillSupp
Laboratory School	AcadSupp/AncillSupp
Landscape and Grounds Maintenance	C&MPlt/Land and GrdMaint
Landscape Architect	O&MPlt/Land and GrdMaint
Language Laboratories	AcadSupp/EdMediaSvc
Language Laboratories, Departmental	Ins/GenAcad
Lapse, Appropriation	NotCurrentFundsExpenTrans
Law (1400)	Ins/GenAcad, Ins/SpecSession, Ins/CommEd
Learning Resources Center	AcadSupp/Lib, AcadSupp/Mus and Gal, AcadSupp/EdMediaSvc
Learning Skills Center	AcadSupp/EdMediaSvc or Ins/PrepRemed
Lecture Series	StudSvc/Soc and CulDev or PubSvc/CommSvc
Legal Services	InstSupp/ExecMgt
Legislative Liaison	InstSupp/PubRel and Dev
Letters (1500)	Ins/GenAcad, Ins/SpecSession, Ins/CommEd
Liability Insurance	InstSupp/GenAdminLogSvc
Libraries	AcadSupp/Lib
Library, Business	AcadSupp/Lib
Library, Departmental	Ins/GenAcad, Ins/VocTech, Ins/PrepRemed
Library, Divisional	AcadSupp/Lib
Library, Graduate	AcadSupp/Lib
Library, Law	AcadSupp/Lib
Library, Reference Room Services	AcadSupp/Lib
Library, Satellite	AcadSupp/Lib
Library Science (1600)	Ins/GenAcad, Ins/SpecSession, Ins/CommEd
Lincoln Laboratory	IndOps/IndOps-FFRDCs
Loan Administration (Financial Aid)	StudSvc/FinanAidAdmin
Loan Fund Matching Grants	MandTrans/LoanFundMatchingGrants
Loans, Administration of Student	StudSvc/FinanAidAdmin
Loans, Student	NotCurrentFundsExpenTrans
Logistical Services	InstSupp/GenAdminLogSvc
Long-range Planning	InstSupp/ExecMgt
Los Alamos Scientific Laboratory	IndOps/IndOps-FFRDCs
Machine Shop	AcadSupp/AncillSupp or InstSupp/GenAdminLogSvc
Mailing Services	InstSupp/GenAdminLogSvc
Maintenance, Facilities	O&MPlt/BldgMaint
Maintenance, Grounds	O&MPlt/Land and GrdMaint
Major Repairs and Renovations	O&MPlt/MajorRepairs and Ren
Management, Cash Flow	InstSupp/FisOps
Management, Endowment	InstSupp/FisOps

Management, Grants and Contracts	InstSupp/FisOps
Management, Investment	InstSupp/FisOps
Management, Space	InstSupp/GenAdminLogSvc
Manpower Development Training Act (MDTA)	Ins/CommEd
Marketing (Student Recruitment)	StudSvc/StudAdmis
Married Student Housing	AuxEnt/AuxEnt-Stud
Mathematics (1700)	Ins/GenAcad, Ins/SpecSession, Ins/CommEd, Ins/PrepRemed
Measurement and Testing Center	StudSvc/Coun and CareerGuid
Mechanical and Engineering Technologies (5300)	Ins/VoTech, Ins/SpecSession, Ins/CommEd
Media Resources	AcadSupp/EdMediaSvc
Medical Records	StudSvc/StudHlthSvc <i>or</i> AuxEnt/AuxEnt-Stud <i>or</i> Hosp/HlthCareSuppSvc
Membership, Institutional	InstSupp/ExecMgt
Military Property Custodian	InstSupp/GenAdminLogSvc
Military Sciences (1800)	Ins/GenAcad, Ins/SpecSession
Minority Affairs Office	StudSvc/StudSvcAdmin
Minority Student Organizations	StudSvc/Soc and CulDev
Motor Pool	InstSupp/GenAdminLogSvc
Movie Film Equipment	AcadSupp/EdMediaSvc
Multimedia Center	AcadSupp/EdMediaSvc
Museum	AcadSupp/Mus and Gal
Museum, Departmental	Ins/GenAcad
National Astronomy and Ionosphere Center	IndOps/IndOps-FFRDCs
National Center for Atmospheric Research	IndOps/IndOps-FFRDCs
National Radio Astronomy Observation	IndOps/IndOps-FFRDCs
National Student Lobby (Dues)	StudSvc/Soc and CulDev
National Testing Programs (GRE, LSAT, etc.)	StudSvc/Coun and CareerGuid
Natural Science Technologies (5400)	Ins/VoTech, Ins/SpecSession, Ins/CommEd
Newsletters, Internal	InstSupp/PubRel and Dev
Newspaper, Faculty and Staff	InstSupp/PubRel and Dev
Newspaper, Student	StudSvc/Soc and CulDev <i>or</i> AcadSupp/AncillSupp
Newspapers (Periodical Acquisition)	AcadSupp/Lib
News Service	InstSupp/PubRel and Dev
Noncredit instruction	Ins/CommEd, Ins/PrepRemed
Nondegree instruction	Ins/CommEd, Ins/PrepRemed
Nuclear Reactor	AcadSupp/AncillSupp <i>or</i> IndOps/IndOps-Institutional
Oak Ridge Associated Universities	IndOps/IndOps-FFRDCs
Occupational and Vocational Instruction	Ins/VoTech
Occupational Safety and Health (OSHA)	InstSupp/GenAdminLogSvc
Off-campus Housing Office	StudSvc/StudSvcAdmin
Off-campus Instruction	Ins/GenAcad, Ins/VoTech, Ins/SpecSession, Ins/CommEd, Ins/PrepRemed
Off-campus Work Study (Matching Funds)	Schshps and Fellow/Schshps, Schshps and Fellow/Fellow

Oil, Automotive	InstSupp/GenAdminLogSvc
Oil, Heating	O&MPlt/Utilities
Ombudsman	InstSupp/ExecMgt
Open University	Ins/GenAcad, Ins/VoTech, Ins/SpecSession, Ins/CommEd, Ins/PrepRemed
Operation and Maintenance of Plant	O&MPlt/PhyPltAdmin, O&MPlt/BldgMaint, O&MPlt/CustSvc, O&MPlt/Utilities, O&MPlt/Land and GrdMaint, O&MPlt/MajorRepairs and Ren
Organized Activities Related to Educational Departments	AcadSupp/Ancill Supp
Organized Research (Centers and Institutes)	Res/Inst and RC
Organized Research (Project)	Res/Indiv and ProjRes
Orientation, Faculty and Staff	InstSupp/GenAdminLogSvc
Orientation, Student	StudSvc/Soc and CulDev
Other Mandatory Transfers	MandTrans/OtherMandTrans
Other Separately Budgeted Research (Individual) ..	Res/Indiv and ProjRes
Other-Separately Budgeted Research (Institutes and Centers)	Res/Inst and RC
Paint Shop	O&MPlt/BldgMaint
Parent Activities	InstSupp/PubRel and Dev
Parent Confidential Statement Administration	StudSvc/FinanAidAdmin
Parking and Parking Enforcement	InstSupp/GenAdminLogSvc or AuxEnt/AuxEnt-Stud, AuxEnt/AuxEnt-Fac-Staff
Patent Attorney	InstSupp/ExecMgt
Patient Care Services	Hosp/DirPatCare
Payments in Lieu of Taxes	O&MPlt/PhyPltAdmin
Payroll Accounting	InstSupp/FisOps
Personnel Administration, Records, etc.	InstSupp/GenAdminLogSvc
Pest Control	O&MPlt/Land and GrdMaint, O&MPlt/BldgMaint
Pharmacy	Hosp/HlthCareSuppSvc
Photo ID Card, Faculty and Staff	InstSupp/GenAdminLogSvc
Photo ID Card, Student	StudSvc/StudRecords
Photo Service	InstSupp/GenAdminLogSvc
Physical Planning	O&MPlt/PhyPltAdmin
Physical Plant Administration	O&MPlt/PhyPltAdmin
Physical Plant Director	O&MPlt/PhyPltAdmin
Physical Plant Services (Auxiliary Enterprises)	AuxEnt/AuxEnt-Stud, AuxEnt/AuxEnt-Fac-Staff, AuxEnt/IntercollAth
Physical Plant Services (Hospitals)	HospPhyPltOp for Hosp
Physical Sciences (1900)	Ins/GenAcad, Ins/SpecSession, Ins/CommEd, Ins/PrepRemed
Physically Handicapped Students Advising	StudSvc/StudSvcAdmin
Physically Handicapped Students Office	StudSvc/StudSvcAdmin
Placement-related	StudSvc/Coun and CareerGuid
Planetarium	AcadSupp/AncillSupp
Planning, Budget	InstSupp/ExecMgt

Planning, Campus	O&MPlt/PhyPltAdmin
Planning, Course and Curriculum	AcadSupp/Course and CurricDev
Planning, Long-range	InstSupp/ExecMgt
Planning Office	InstSupp/ExecMgt
Planning, Physical	O&MPlt/PhyPltAdmin
Planning and Programming	InstSupp/ExecMgt
Plasma Physics Laboratory	IndOps/IndOps-FFRDCs
Police	InstSupp/GenAdminLogSvc
Postage	InstSupp/GenAdminLogSvc
Post Office	InstSupp/GenAdminLogSvc
Power Plant	O&MPlt/Utilities
Preparatory and Adult Basic Education	Ins/CommEd
President	InstSupp/ExecMgt
President Emeritus	InstSupp/ExecMgt
Presidential Residence	O&MPlt/BldgMaint or InstSupp/ExecMgt
Press, University	AuxEnt/AuxEnt-Fac-Staff or AcadSupp/AncillSupp
Printing Services	InstSupp/GenAdminLogSvc
Print Shop	AcadSupp/AncillSupp or InstSupp/GenAdminLogSvc
Prizes, Graduate	Schshps and Fellow/Fellow
Prizes, Undergraduate	Schshps and Fellow/Schshps
Procurement	InstSupp/GenAdminLogSvc
Professional Development (Academic)	AcadSupp/AcadPersDev
Professional Development (Nonacademic)	InstSupp/GenAdminLogSvc
Professional Meetings (Academic)	AcadSupp/AcadPersDev
Professional Publishing (Academic)	AcadSupp/AcadPersDev
Professional Publishing (Nonacademic)	AuxEnt/AuxEnt-Fac-Staff or AcadSupp/AncillSupp
Professional Review Courses	Ins/SpecSession, Ins/CommEd
Property Accounting (Inventory)	InstSupp/GenAdminLogSvc
Property Control	InstSupp/GenAdminLogSvc
Property Insurance	O&MPlt/PhyPltAdmin
Provision for Bad Debts (Current Funds)	InstSupp/FisOps
Provision for Bad Debts (Noncurrent Funds)	NonMandTrans/NonMandTrans or NotCurrentFundsExpenTrans
Provision for Bad Debts (Student Loans)	NotCurrentFundsExpenTrans or NonMandTrans/NonMandTrans
Provision for Debt Service on Auxiliary Enterprises	AuxEnt/MandTrans
Provision for Debt Service on Educational Plant	MandTrans/DebtSvc-EducPlt
Provision for Debt Service on Hospitals	Hosp/MandTrans
Provost	InstSupp/ExecMgt
Psychological Counseling, Services, Testing, etc.	StudSvc/Coun and CareerGuid or StudSvc/StudHlthSvc or AuxEnt/AuxEnt-Stud
Psychology (2000)	Ins/GenAcad, Ins/SpecSession, Ins/CommEd
Public Affairs and Services (2100)	Ins/GenAcad, Ins/SpecSession, Ins/CommEd
Public Broadcasting Services	PubSvc/PubBrdcstSvc
Public Information	InstSupp/PubRel and Dev
Public Relations	InstSupp/PubRel and Dev
Public Service, Department (not separately organized or budgeted)	Ins/GenAcad, ins/VoTech, Ins/PrepRemed

CHAPTER V

CONCLUSION

The role of visuals as a learning aid is undeniable; studies over the past few years have conclusively established that. What is still interesting researchers is the way visual material is absorbed, the ways in which visuals should be used, and how they should be designed, developed and presented, and research already shows that their usefulness notwithstanding, they should be used intelligently with a realistic appraisal of their uses. Clearly they are not endlessly applicable, nor is one type of visual useful in all circumstances.

The variables are many. The subject matter influences the kinds of visuals used: geography, for example, is likely to use a large number of maps and graphs. Similarly the behavioural objective will have an effect: whether it is factual or visual information which needs to be understood, explained or rehearsed, and what needs to be recalled from the experience - concepts or facts.

The students themselves influence not only what is likely to be recalled but what form the visuals should take. Children, for example, learn differently from adults

who, because of their greater experience and knowledge, learn concepts with the pictures. Mental ability has been examined in its bearings on learning from visuals, and it appears that high IQs learn readily from either the visual or verbal approach. Lower IQs achieve better from visual aids than they do from verbally emphasized work as long as those aids are keyed to the level of the students. Indeed, visuals, in these circumstances, can act as excellent motivational devices.

Motivation is another variable in the effectiveness of visual education, as it is in most educational circles. Students learn any content matter much better when they are interested in what is before them. For this, visuals can be both a cause and an effect. Visual materials play an important role in raising motivation and interest, and the information they contain is better transmitted when motivation and interest are high. This situation is achieved, too, when the visuals are part of a programme which is seen by the students to be valid and attuned to their needs, a factor especially true of adults, and when the visuals are well incorporated with the material being taught.

Cultural factors may affect what students interpret as important and what they see as worthwhile learning techniques. In addition, such factors will influence what they absorb from a visual. Objects and concepts which are not in their own culture or which that culture underemphasizes may be

misinterpreted, or, indeed, not noticed at all in visual materials. Visuals can be very effective in this context in realigning cultural acceptance patterns.

The way in which the illustrations are presented is yet another variable. Are they to be in a programme paced by the teacher or one where the students work at a more leisurely or self-controlled pace? Whichever is chosen, the matter of exposure time becomes increasingly important, as numerous studies have shown. A system such as charts allows the students to refer to the visual at any time they need. So, too, do textbook and workbook illustrations. Slides and transparencies may have much the same advantage if the students are given enough viewing time. Films, television and the like are excellent for the presentation of concepts involving movement, but frame time is externally dictated, and the speed at which visualized information passes before students may become a cause of interference.

Interference must be kept in mind when considering what form the visuals will take, and here one should give attention to the ideas of design and realism. All visuals should be clear to all students which means that their size, clarity, spacing and color are all important. It sounds unnecessary to say that a picture in education should not be too small and should not be too large. If it is too small, many details will be indecipherable and hence confusing; if it is too big, a sense of unity will be sacrificed as students,

in trying to scan the whole picture, will tend to have their attention taken by a small section. Spacing is part of this concern as well. When parts of the visual are spaced well, the scanning eye moves smoothly and logically from one to another.

The matter of complexity or simplicity is a feature which is in the context of interference. As was noted in Chapter II the realism continuum does not reflect the "learning continuum" and increasing detail tends, instead, to decrease the teaching potential of the visual. However, this remains an inconstant feature. Dwyer found in his study that realistic, colored photographs were useful in certain proscribed areas of a lesson on the part of the heart. All the same, on the whole, studies suggest that less complex illustrations are more readily understood and better for the transfer of information.

In the context of realism should be considered the matter of color. Again it is hard to be definite in any conclusions for sometimes it is true that black and white illustrations can be extremely effective - the contrast is strong. On the other hand, color can be important for clarification, for attention-getting, for visibility considerations, for the interpretation of relationships and for the subtle transmission of attitudes. Children tend to react to color, especially strong color, more definitely than adults who are accustomed to the symbolism of black

and white and the ideas it transmits, but all people can absorb a great deal from color. Wise use of color can add to the learning experience; undisciplined use adds nothing and can become an overload, resulting in a decrease of understanding.

Using the visuals requires cueing methodology. Adults in particular need to feel in touch with the work being presented and prefer to be told of the learning objectives in front of them. This has the advantage of focusing their attention and receptive concentration. Questions have a similar effect, written or oral, and are also vital for follow-up recall. Printed material, such as arrows, may continue this role. This rehearsal is important to the retention of learned material. All of these gambits, including patches of color in an otherwise black and white illustration, are further variables.

What this points to is that there is no single approach to visuals, and that there are no hard and fast rules for their use. The variables are vitally concerned in what is right for one situation and what is right for another; in order to adapt a visual for another use it may be necessary to change only one or two of these aspects. Educational effectiveness is dependent upon small things and cannot be made constant.

The variables do not change the fact that visuals are useful but they do mean that commercially made products can

seldom fit this fluctuating mould. They cannot take into account the varying needs of students in different learning environments. The whole idea of visuals is that they should respond to just those environments and the needs assessed on an individual basis, that they should deal with learning problems and learning situations which may be unique to an age group, a subject, a cultural attitude or a teaching form. Here lies the great strength of the teacher-made visual aid. No matter what the artistic skills of the teacher, it is he or she alone who recognizes and understands the variables. Only the teacher can produce visual materials which are that immediate response to the situation, and only those are effective teaching aids.

The teacher, then, should not be daunted by the artistic requirements. Experience teaches a lot of ways to deal with these needs, and furthermore brings more ideas. There is no need to turn to another person to translate ideas, for this introduces the potential interference of a third party and his/her interpretations. Necessity is the mother of invention, and it is that which makes teacher-made visual aids a continually vital part of the ESL classroom.

APPENDIX I

Sample Passage for Listening
Comprehension with Visual

I SIMPLE

(a) This woman is tired. She has been shopping most of the day. She is wearing a brown coat and on her head she has an orange hat. She is carrying two bags.

(b) This girl has been at school but now she is going home with her mother. She is wearing blue jeans, a blue hat and a red sweater.

II SLIGHTLY HARDER

(a) Mark Booth's waiting for the bus and he's been waiting quite a while. He's cold so he's put his hands in his pockets to keep them warm. He's wearing dark jeans and a yellow jacket, as well as a blue hat.

(b) Jane Stevens is talking to a friend of hers. She's going home from school. She's got on a blue coat and red boots and she's a blonde.

III CONVERSATION

A Goodness, aren't these buses slow. If it doesn't come soon, I think I'll drop. I'm so tired.

B I thought you looked rather weary. What've you been doing? Shopping?

A Yes, I thought I'd get a few things I needed. But a few things always turns into a lot more. What have you been doing?

B Oh, I had to take my daughter to the dentist so I picked her up from school. When I left the house this morning it was really quite cold so I put on this quilted coat and my fur hat. Now I'm so hot! I'll be glad to get home and shed everything.

A Ah, I'm just looking forward to getting rid of parcels, hat, coat and shoes and putting my feet up.

APPENDIX II

POSSIBLE SCRIPT FOR ORDER! ORDER!

It was spring. The tree was in bud and flowers were beginning to appear. Within a few weeks, the tree was a mass of blossom in pink and red. As the weeks passed, spring faded into summer. The blooms on the tree gave way to leaves. The days grew warmer and the tree provided shade for people walking in the park and for the children who played under it with their toys in the long days.

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CHAPTER V

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/B/ I thought you looked rather weary. What've you been doing? Shopping?

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